KGEN POWER CORPORATION

Four Oaks Place
1330 Post Oak Boulevard, Suite 1500
Houston, Texas 77056

January 7, 2013

To the Stockholders of KGen Power Corporation:

On behalf of the Board of Directors, we cordially invite you to the Annual Meeting of Stockholders ("Annual Meeting") of KGen Power Corporation (the "Company"). The Annual Meeting will be held on February 7, 2013, at 2:00 p.m., local time, in the Gulf Coast conference room, Suite 200, of the Four Oaks Place building located at 1330 Post Oak Blvd, Houston, Texas 77056.

At the Annual Meeting, you will be asked to (1) elect two directors to the Board of Directors, (2) ratify the appointment by the Board of Directors of Deloitte & Touche LLP as the independent registered public accountants for the Company for the fiscal year ending June 30, 2013, and (3) vote on a resolution adopted by your Board of Directors approving and deeming advisable the proposed dissolution of the Company (the "Dissolution"). The enclosed Notice of Annual Meeting and Proxy Statement sets forth a description of the Dissolution and the other business to be conducted at the Annual Meeting. Also enclosed is a copy of our fiscal year 2012 Annual Report to Stockholders.

It is important that your views be represented whether or not you are able to be present at the Annual Meeting. We urge you to vote on the Internet or by telephone using the number shown on your proxy card, or to complete, sign, date, and return the enclosed proxy card promptly in the accompanying postage-paid envelope.

The enclosed Proxy Statement provides you with detailed information about the Annual Meeting, the Dissolution and the other business to be conducted at the Annual Meeting. We encourage you to read the Proxy Statement carefully and in their entirety. You may also obtain additional information about us, the Annual Meeting or the proposed Dissolution by calling us at (713) 979-1990.

To Vote by Internet and to Receive Materials Electronically

Go to the website (*www.proxyvote.com*) that appears on your Proxy Card.
Enter the control number found in the shaded box on the front of your
Proxy Card and follow the simple instructions.

The deadline for Internet and telephone voting is 11:59 p.m., Eastern Time, on February 6, 2013. We encourage you to vote via the Internet using the control number that appears on the front of your Proxy Card and to choose to view future mailings electronically rather than receiving them on paper.

Sincerely,

Daniel T. Hudson
Chairman

Thomas B. White
President and Chief Executive Officer

KGEN POWER CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on February 7, 2013

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders ("Annual Meeting") of KGen Power Corporation will be held on February 7, 2013, at 2:00 p.m., local time, in the Gulf Coast conference room, Suite 200, of the Four Oaks Place building located at 1330 Post Oak Blvd, Houston, Texas 77056 for the following purposes:

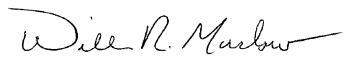
1. To elect two directors to the Board of Directors, each to hold office until such director's respective successor shall have been duly elected and qualified;
2. To ratify the appointment by the Board of Directors of Deloitte & Touche LLP as the independent registered public accountants for the Company for the fiscal year ending June 30, 2013;
3. To vote on a resolution adopted by the Board of Directors approving and deeming advisable, the dissolution of the Company and the Plan of Dissolution under Delaware law attached hereto as *Annex A*; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

This Notice is accompanied by a form of proxy and a Proxy Statement which more fully describes the foregoing items of business.

In accordance with KGen Power Corporation's Bylaws, the close of business on December 17, 2012 has been fixed as the record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. This date is also the record date for the determination of the stockholders entitled to receive the distribution of $8.60 per share in cash declared by the Board of Directors and paid on or about December 26, 2012.

A list of stockholders entitled to notice of and to vote at the Annual Meeting will be available for examination by any stockholder, for any purpose germane to the meeting, at the offices of KGen Power Corporation, 1330 Post Oak Blvd, Suite 1500, Houston, Texas 77056, Attention: William Marlow, Esq. during ordinary business hours for the ten days immediately prior to the Annual Meeting. The stockholder list will also be available for inspection at the Annual Meeting by any stockholder present at the meeting.

By Order of the Board of Directors,



William R. Marlow
Secretary

Houston, Texas
January 7, 2013

IMPORTANT

Most stockholders have a choice of voting on the Internet, by telephone, or by mail using a traditional proxy card. Please refer to the proxy card or other voting instructions included with these proxy materials for information on the voting methods available to you. If you vote by telephone or on the Internet, you do not need to return your proxy card.

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SUMMARY

This summary highlights selected information contained in this Proxy Statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this Proxy Statement, *Annex A* and the documents referred to or incorporated by reference in this Proxy Statement in their entirety. Each item in this summary includes a page reference directing you to a more complete description of that topic. See "Where You Can Find Additional Information" beginning on page 46.

Unless the context otherwise requires, in this Proxy Statement, references to "KGen Power Corporation," "KGen," "the Company," "we," "our," and "us" refer to KGen Power Corporation; references to "the Board" refer to the Board of Directors of the Company; references to the "Dissolution" refers to the dissolution of the Company described in this Proxy Statement; and references to the "Liquidating Trust" refers to the liquidating trust described in this Proxy Statement to be established in connection with the Dissolution, for the benefit of our stockholders, and to which all remaining cash and other assets held by the Company (including the right to receive all sale proceeds paid to the Company out of the escrows established pursuant to the Company's transaction agreements) will be transferred in connection with the Dissolution.

Election of Directors (page 17)

Two directors are to be elected to the Board at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the two nominees of the Board named in this Proxy Statement, both of whom are presently directors of the Company. The Board unanimously recommends that you vote "FOR" both of the director nominees named in this Proxy Statement.

Ratification of Appointment of Independent Registered Public Accountants (page 19)

The Board selected Deloitte & Touche LLP, independent registered public accountants, as the independent registered public accountants to audit the financial statements of the Company for the fiscal year ending June 30, 2013 and recommends that the stockholders ratify such selection.

Board Recommendation for Dissolution (page 21)

The Board has unanimously approved the proposed Dissolution described in this Proxy Statement, subject to stockholder approval, and determined that the Dissolution and the Plan of Dissolution under Delaware law are advisable and in the best interest of KGen and its stockholders. The Board unanimously recommends that you vote "FOR" the approval of the Dissolution and the proposed Plan of Dissolution under Delaware law attached as *Annex A*.

The Company (page 20)

The Company was incorporated in 2006 and is headquartered in Houston, Texas. We previously owned and operated electric power generation plants and sold electricity and electrical generation capacity in the United States. Our portfolio consisted of five power plants located in the southeastern United States with General Electric 7FA and 7EA gas turbines having an aggregate capacity of 3,030 megawatts, or MW. These plants consisted of four combined-cycle facilities (the Murray I and Murray II facilities located near Dalton, Georgia, a facility located in Hinds County, Mississippi and a facility located in Hot Spring County Arkansas) and one simple cycle facility (the Sandersville facility located in Sandersville, Georgia).

During the period from May 2010 through November 2012, we entered into and completed four transactions pursuant to which we sold all five of our generation facilities for aggregate cash consideration of $1.1 billion.

As a result of the completion of these sale transactions, we no longer own any power generation facilities and will not conduct any further business other than in connection with the wind down of the Company.

Plan of Complete Liquidation for Federal Income Tax Purposes (page 20)

On April 27, 2011, the Board unanimously approved and adopted a plan of complete liquidation of the Company for federal income tax purposes (the "Plan of Liquidation"). The Plan of Liquidation provides that the Company will distribute to the stockholders of the Company (on a pro rata basis), in a series of distributions in complete liquidation of the Company, the net proceeds of the Company's sale transactions. The Plan of Liquidation provides that the Company will make the final liquidating distribution under the Plan of Liquidation to its stockholders no later than three years after the date of adoption of the Plan of Liquidation

Pursuant to the Plan of Liquidation, we made a cash distribution of $5.00 per share to our stockholders in June 2011 out of the net proceeds received at closing from the sale of our former subsidiary KGen Murray I and II LLC, the owner of the Murray I and Murray II facilities located near Dalton, Georgia. On December 5, 2012, we announced that the Board declared a cash distribution of $8.60 per share to be paid on or about December 26, 2012 to stockholders of record as of the close of business on December 17, 2012 out of (a) the net proceeds received by the Company at closing from the sale of the Hot Spring and Hinds facilities, (b) the net proceeds of the escrow amounts released to us in October 2012 under the terms of our Murray transaction agreement, and (c) excess cash on hand not reserved for the winding down of the Company's business. These are the first two distributions under the Plan of Liquidation. U.S. stockholders will be able to apply these two distributions and future distributions made by the Company prior to the Dissolution against their adjusted tax basis in their Company's shares, rather than treating those distributions as dividends potentially taxable at ordinary income tax rates. However, if the Company fails to make its final liquidating distribution under the Plan of Liquidation within approximately three years after the adoption of the Plan of Liquidation, these distributions could be recharacterized as dividends taxable at ordinary income tax rates.

The Dissolution (page 21)

If the Dissolution is approved by stockholders, we expect to effect the Dissolution on or about April 2014, approximately three years after the adoption of the Plan of Liquidation. The Dissolution will be effected by filing a certificate of dissolution with the Secretary of State of the State of Delaware and promptly thereafter transferring to a Liquidating Trust all remaining cash and other assets of the Company, including the right to receive all sale proceeds paid to the Company out of the escrows established pursuant to the Company's transaction agreements (the "Escrow Rights"). The transfer of the Company's remaining cash and other assets to the Liquidating Trust will constitute the final liquidating distribution under the Plan of Liquidation.

If the Dissolution is not approved by stockholders, we may not be able make the final liquidating distribution under the Plan of Liquidation within approximately three years of its adoption. If the Company is unable to complete the Plan of Liquidation within this time frame, prior distributions under the Plan of Liquidation could be recharacterized as dividends taxable at ordinary income tax rates. Accordingly, if our stockholders do not approve the Dissolution, the Board will evaluate whether there is any other prudent course of action in order to allow it to make its final liquidating distribution within approximately three years of the adoption of the Plan of Liquidation. This may result in the Board again soliciting our stockholders for approval of the dissolution of the Company, which may be on substantially the same basis as the Dissolution described in this Proxy Statement or on another basis. Any costs associated with any alternative plan and the related solicitation of stockholder approval would reduce the assets of the Company available for distribution to our stockholders.

The Liquidating Trust (page 25)

Promptly after the effective date of the Dissolution (the "Dissolution Date"), which we expect to occur on or about April 2014, the Company will transfer to a Liquidating Trust for the benefit of our stockholders, all remaining cash and other assets of the Company, including the Escrow Rights under the Company's transaction agreements. In addition, the Liquidating Trust will assume, and become responsible for, all of the Company's unsatisfied liabilities and obligations, including any unknown or contingent liabilities of the Company. The Liquidating Trust will seek to dispose of for cash any non-cash assets transferred to it by the Company.

The Company will be required to recognize gain for tax purposes at the time of the Dissolution to the extent the Company's basis in the assets, including the Escrow Rights, transferred to the Liquidating Trust is less than the fair market value of those assets.

The Company's stockholders of record as of the close of business on the Dissolution Date will receive one unit of beneficial interests in the Liquidating Trust for each share of stock of the Company. The beneficial interests in the Liquidating Trust will generally not be transferable by the holders thereof.

All cash transferred by the Company to the Liquidating Trust and the net proceeds to the Liquidating Trust of funds released from escrow after the Dissolution Date (and the proceeds received by the Liquidating Trust from the disposition of any non-cash assets it receives) will be distributed by the Liquidating Trust to the holders of beneficial interests in the Liquidating Trust, subject to wind down expenses and reserves for liabilities of the Company and the Liquidating Trust.

The approval of the Dissolution by our stockholders will authorize, without further stockholder action, the Board to cause the Company to enter into a liquidating trust agreement and also constitute approval by our stockholders of the appointment of Daniel T. Hudson, the current Chairman of the Board, W. Kevin Redmond, the Company's current Chief Accounting Officer and Controller, and Thomas B. White, the Company's current President and Chief Executive Officer (or any replacements approved by the Board) to serve as the initial trustees of the Liquidating Trust.

Our Sale Transactions (page 20)

In April 2008, the Board announced that it would undertake a review of the Company's strategic alternatives. As a result of this review process, we entered into and completed sales of all five of our power generation facilities. The proceeds that we received or expect to receive from these sale transactions, and the anticipated timing of the receipt of such proceeds, are outlined below.

Sandersville Transaction. On July 9, 2010, we completed the sale of KGen Sandersville LLC, our former subsidiary that owned our simple cycle power generation facility located in Sandersville, Georgia, to an entity formed by ArcLight Energy Partners Fund III, LP. In connection with this transaction, we received $129.3 million in cash sale proceeds. We used the majority of the net proceeds from this transaction to reduce our then outstanding indebtedness.

Murray Transaction. On April 8, 2011, we completed the sale of KGen Murray I and II LLC, our former subsidiary that owned our Murray I and II combined-cycle power generation facilities, to Oglethorpe Power Corporation for a total purchase price of $529.3 million in cash. We received $451.6 million of the purchase price at closing. We used $138.0 million of the net proceeds to repay our outstanding indebtedness and satisfy related obligations. In addition, on June 24, 2011, pursuant to the Plan of Liquidation, we made a cash distribution of $5.00 per share (or approximately $280.6 million, in the aggregate) to our stockholders out of the net proceeds of the Murray sale.

Under the terms of the Murray transaction agreement, $79.7 million of the purchase price was placed into escrow for a period of 18 months to secure customary post-closing indemnification obligations. The full $79.7 million placed into escrow was released to us in October 2012.

Hot Spring Transaction. On November 30 , 2012, we completed the sale of our combined-cycle power generation facility located in Hot Spring county, Arkansas, to Entergy Arkansas, Inc. for a purchase price of $253.0 million in cash, subject to certain post closing adjustments. We received $215.0 million of the purchase price at closing, subject to certain post closing adjustments.

Under the terms of the Hot Spring transaction agreement, $38.0 million of the purchase price was placed into escrow to secure customary post-closing indemnification obligations to be released in three installments. The first installment of $12.0 million is subject to release from escrow 12 months after closing, in December 2013. A second installment of $13.8 million is subject to release from escrow 18 months after closing, in June 2014. A third installment of $12.2 million is subject to release from escrow 42 months after closing, in May 2016. If the proposed Dissolution is approved by stockholders, we expect that the second and third installments will be released after the Dissolution Date and will be paid over to the Liquidating Trust.

Hinds Transaction. On November 30, 2012, we completed the sale of our combined-cycle power generation facility located in Hinds County, Mississippi, to Entergy Mississippi, Inc. for a purchase price of $206.0 million in cash, subject to certain post closing adjustments. We received $172.6 million of the purchase price at closing, subject to certain post closing adjustments.

Under the terms of the Hinds transaction agreement, $30.0 million of the purchase price was placed into escrow to secure customary post-closing indemnification obligations to be released in three installments. The first installment of $10.0 million is subject to release from escrow 12 months after closing, in December 2013. A second installment of $10.0 million is subject to release from escrow 18 months after closing, in June 2014. A third installment of $10.0 million is subject to release from escrow 42 months after closing, in May 2016. If the proposed Dissolution is approved by stockholders, we expect that the second and third installments will be released after the Dissolution Date and will be paid over to the Liquidating Trust.

Anticipated Distributions to Stockholders (page 23)

On December 5, 2012, we announced that, pursuant to the Plan of Liquidation, the Board declared a cash distribution of $8.60 per share out of (a) the net proceeds received by us in connection with the closing of the Hot Spring and Hinds sales, (b) net proceeds of the escrow amount released to us in October 2012 under the terms of our Murray transaction agreement and (c) excess cash on hand not reserved for the winding down of the Company's business. This distribution, which amounted to approximately $483.4 million, in the aggregate, was paid on or about December 26, 2012 to stockholders of record as of the close of business on December 17, 2012.

The Board expects that the Company or the Liquidating Trust will distribute to the stockholders (in their capacity as beneficial owners of the Liquidating Trust) all of the net proceeds received by the Company or the Liquidating Trust, as applicable, from the escrowed funds released under the Hot Spring and Hinds transaction agreements and any other cash of the Company, subject to wind down expenses and any reserves established for satisfaction of liabilities of the Company, including contingent liabilities. As of November 30, 2012, the Company held cash and cash equivalents of $532.7 million (which includes the cash received by the Company from the sale of the Hot Spring and Hinds facilities, but does not reflect the payment of taxes, transaction fees and expenses and cash bonuses payable in connection with those sale transactions, all of which was payable after November 30, 2012, or the approximately $483.4 million, in the aggregate distributed to stockholders on or about December 26, 2012).

The Company currently estimates that the total amount per share anticipated to be distributed to stockholders is between $14.70 to $14.80 in cash, including the $5.00 per share distributed to stockholders in June 2011 and the $8.60 per share that was distributed on or about December 26, 2012.

The Company currently estimates that the Company or the Liquidating Trust will make future distributions to stockholders pursuant to the Plan of Liquidation from the proceeds released under the escrow pursuant to the Hot Spring and Hinds transaction agreements, as follows:

- $0.40 per share shortly after receipt by the Company of the first installment under the escrow, expected to be released in December 2013;
- $0.30 per share shortly after receipt by the Liquidating Trust of the second installment under the escrow, expected to be released in June 2014; and
- $0.45 per share/unit shortly after receipt by the Liquidating Trust of the third installment under the escrow, expected to be released in May 2016.

Any remaining cash held in the Liquidation Trust thereafter will be distributed shortly after the trustees of the Liquidation Trust determine in their discretion that all remaining liabilities and obligations (including contingent obligations) of the Company and the Liquidation Trust have been satisfied or satisfactorily provided for.

The foregoing is based on the current estimates of the management of the Company. The amount of cash ultimately distributed, and the timing of those distributions, will depend on the extent, if any, to which the Company becomes subject to claims for indemnification under its transaction agreements and the amount of escrowed funds ultimately released to the Company. In addition, the amount of cash ultimately distributed will be reduced by, and the timing of such distributions may be delayed on the account of, any liabilities, obligations and expenses and claims against us or the Liquidating Trust, and contingency reserves that may be established by the Board or the trustees of the Liquidating Trust. We have attempted to estimate the expenses of satisfying outstanding obligations, liabilities and claims, including the expense of personnel required and other operating expenses necessary to wind down the Company. The Company currently estimates the costs and expenses necessary to wind down the Company to be approximately $7.8 million, which include, but are not limited to, legal, accounting and other professional fees, costs of terminating any remaining lease obligations of the Company, expenses of our personnel necessary to wind down the Company, and other administrative expenses, but excluding severance costs estimated to be $4.2 million. However, if any of our estimates are inaccurate, the amount we and the Liquidation Trust distribute may be substantially less than the amount we currently estimate and such distributions may be made later than currently estimated. The Board will determine, in its sole discretion and in accordance with applicable law, the exact timing of, the amount of and the record dates for all distributions made to our stockholders.

Announcement of Effective Date of the Dissolution; Closing of Books and Transfer of Shares of KGen; and Interests in the Liquidating Trust (page 25)

As previously noted, if the proposed Dissolution is approved by stockholders of the Company, we expect to effect the Dissolution on a Dissolution Date on or about April 2014. We intend to make a public announcement in advance of the Dissolution Date. You may sell or otherwise transfer your shares in the Company until the Dissolution Date. However, we will close our stock transfer books and discontinue recording transfers of shares of KGen common stock on the Dissolution Date, at which time your shares of common stock will not be assignable or transferable on our books. In addition, the beneficial interests in the Liquidating Trust that will be distributed to the Company's stockholders of record as of the close of business on the Dissolution Date will generally not be transferable by the holders thereof.

Information to be Made Available by the Company and the Liquidating Trust (page 29)

In order to maximize the amount of cash available for distributions to our stockholders, we will no longer prepare and provide to stockholders the quarterly and annual reports we previously provided to stockholders. We intend instead to post on our website at *www.kgenpower.com* the following:

- within 45 days after each fiscal quarter ended prior to the Dissolution Date (other than the last quarter of our fiscal year), a summary unaudited consolidated balance sheet of the Company as of the end of such quarter and summary unaudited statements of operations and stockholders' equity, all prepared in accordance with generally accepted accounting principles (GAAP) but without footnotes that may be required by GAAP; and
- within 90 days after the end of the June 30, 2013 fiscal year and within 90 days after the Dissolution Date, audited consolidated financial statements for the Company for such fiscal year (or for the period from the end of the prior fiscal year through the date of transfer of the Company's assets to the Liquidating Trust, as applicable) prepared in accordance with GAAP.

Each of these quarterly summaries and audited financial statements will be accompanied by a summary of all material information known to the Company impacting the likelihood and/or timing of the receipt by the Company and/or the Liquidating Trust of proceeds held in escrow pursuant to the transaction agreements and/or otherwise impacting the likelihood and/or timing of the payment of distributions by the Company and/or the Liquidating Trust.

After the Dissolution, we expect that the Liquidating Trust will make available on a periodic basis on our website at *www.kgenpower.com* a summary of its cash on hand and expenses incurred as well as material information known to the trustees of impacting the likelihood and/or timing of the receipt by the Liquidating Trust of proceeds held in escrow pursuant to the transaction agreements and/or otherwise impacting the likelihood and/or timing of the payment of distributions by the Liquidating Trust. In connection with the termination of the Liquidating Trust, we expect that the trustees will make available on our website at *www.kgenpower.com* a summary of all cash and assets received by the Liquidating Trust, liabilities and expenses paid or satisfied by the Liquidating Trust and the amount of cash distributed by the Liquidating Trust to holders of beneficial interests in the Liquidating Trust.

Future Annual Meetings of Stockholders (page 27)

To avoid the cost of future annual meetings of stockholders and maximize the amount of cash available for distributions to our stockholders, we do not expect to hold any future annual meetings of stockholders prior to the Dissolution. However, if after 13 months have elapsed since the date of the Annual Meeting, stockholders holding at least 35% of the Company's outstanding shares request that an annual meeting be held, the Board will (subject to its fiduciary duties) promptly call and hold an annual meeting for the election of directors. In addition, subject to the terms of the Company's bylaws, holders of at least 35% of the Company's outstanding shares may at any time require the calling of a special stockholders' meeting at which changes to the Board may be made. Finally, holders of a majority of the Company's outstanding shares may at any time (subject to the terms of our bylaws) act by written consent to change directors of the Company. Our certificate of incorporation and bylaws are available on our website at *www.kgenpower.com*.

Contingency Reserve (page 27)

Under Delaware law, we are required, in connection with the Dissolution, to pay or reasonably provide for payment of all of the Company's liabilities and obligations. Prior to, and following the Dissolution Date, the Board and the trustees of the Liquidating Trust will pay, to the extent of funds and assets available, all expenses and fixed and other liabilities, or set aside as a contingency reserve, assets which the Board or the trustees of the Liquidating Trust believe to be sufficient for payment thereof.

Potential Liability of Stockholders (page 27)

Under Delaware law, we are required, in connection with the Dissolution, to pay or adequately provide for payment of all of the Company's liabilities and obligations. If we or the Liquidating Trust makes distributions to our stockholders without paying or providing adequately for all the Company's liabilities and obligations, Delaware law provides that a stockholder could be held liable to creditors of the Company for its pro rata portion (based on relative shareholdings) of any such liability, limited to the amount received by the stockholder in distributions from the Company or the Liquidating Trust under the Plan of Liquidation. Accordingly, in such circumstances, you may have to pay back some or all of the liquidating distributions made to you. Moreover, if a stockholder has paid taxes on liquidating distributions previously received by the stockholder, a repayment of all or a portion of the prior liquidating distribution could result in a stockholder incurring a net tax cost if the stockholder's repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable by that stockholder.

Because we intend to carefully evaluate, and make adequate provision for, the Company's liabilities in winding up the Company, we do not anticipate that any liquidating distribution will be made without payment or adequate provision having been made for all the Company's liabilities.

Amendment, Modification or Abandonment of the Dissolution or Plan of Dissolution (page 28)

If the Dissolution is approved by our stockholders, the Board expects the Dissolution will be effected on or about April 2014 (but reserves the right to effect the Dissolution sooner). However, if there are changes in the facts and circumstances relating to the Dissolution such that in the judgment of the Board the stockholders as of the record date for the Annual Meeting would not have approved the Dissolution had they been aware of the changed facts and circumstances, the Board may abandon the Dissolution without further stockholder action or approval, to the extent permitted by applicable law. The Board may also amend or modify the Plan of Dissolution, to the extent permitted by applicable law, without the necessity of any stockholder action or approval.

Interests of Executive Officers (page 28)

The Company intends to enter into Separation and Consulting Services Agreements with each of Mr. White and Mr. Redmond, which would provide that following the termination of their employment with the Company, which is expected to occur in March 2013, they will provide consulting services to the Company and/or Liquidating Trust in connection with the Dissolution.

As part of his consulting services, Mr. White would continue to be the Company's President and Chief Executive Officer and would be responsible for the overall management of the wind-down process. In this role, Mr. White would be expected to participate in periodic status calls with the Board, lead quarterly Board meetings, manage shareholder relations, direct legal efforts, and manage resolution of any issues raised under the Company's transaction agreements. Mr. White would be paid an annual fee equal to $175,000 for his services. In addition, he would be entitled to receive a completion bonus of $100,000 upon the termination of the Liquidating Trust.

As part of his consulting services, Mr. Redmond would continue to be the Company's Chief Accounting Officer and would be responsible for the daily operation of the wind-down process. In this role, Mr. Redmond would be expected to produce financial reports for the Company, complete annual audits and annual tax filings with the Company's advisors, participate in periodic status calls with the Board, provide support for quarterly Board meetings, address shareholder requests, and oversee legal efforts and general corporate affairs. Mr. Redmond would be paid an annual fee equal to $250,000 for his services. In addition, Mr. Redmond would be entitled to receive a completion bonus of $200,000 upon the termination of the Liquidating Trust.

Upon a termination of Mr. White or Mr. Redmond's services as a consultant for any reason, he would no longer be entitled to consulting fees and would generally forfeit his right to receive a completion bonus upon the termination of the Liquidating Trust. However, Mr. White and Mr. Redmond would be paid a completion bonus at the time of his termination if his consulting services were terminated by the Company or Liquidating Trust without "cause".

Indemnification of Directors and Officers and Trustees of the Liquidating Trust (page 29)

Following approval of the Dissolution, we will continue to indemnify our current and former officers, directors, and employees in accordance with our certificate of incorporation, bylaws and contractual arrangements for actions taken in connection with the Dissolution and the winding up of our business and affairs. The Company's obligation to indemnify such persons may be satisfied out of the assets of the Company or, after the Dissolution Date, out of the contingency reserve or the assets transferred to the Liquidating Trust.

In addition, each trustee of the Liquidating Trust and each of its employees and agents, if any will be entitled to indemnification out of the assets of the Liquidating Trust against all liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and all costs and expenses, including, but not limited to, reasonable counsel fees and disbursements paid or incurred in investigating or defending against any such claim, demand, action, suit or proceeding by them in connection with the defense or disposition of any action, suit or other proceeding by the Liquidating Trust or any other person, in which they may be involved or with which they may be threatened while in office or thereafter, by reason of their being or having been a trustee, employee or agent. They will not, however, be entitled to such indemnification if they shall have been finally adjudicated to have committed fraud or other misconduct knowingly or intentionally committed in bad faith.

The Board has obtained and the Board and the trustee(s) of the Liquidating Trust are (or will be) authorized to obtain and maintain insurance as may be necessary to cover our or the Liquidating Trust's directors, officer, trustees, employees or agents.

Regulatory Approvals (page 30)

We are not aware of any U.S. federal or state regulatory requirements or governmental approvals or actions that may be required to effect the Dissolution, except for compliance with the Delaware General Corporation Law ("DGCL"), and the payment of all taxes and penalties, if any, of the Company.

No Appraisal or Dissenter's Rights (page 30)

Under the DGCL, holders of shares of KGen common stock are not entitled to assert appraisal or dissenter's rights in connection with the Dissolution.

Material United States Federal Income Tax Consequences (page 30)

Any distributions to our stockholders pursuant to the Plan of Liquidation or the Dissolution may be taxable to our U.S. stockholders for U.S. federal income tax purposes depending upon certain factors, including the adjusted tax basis a stockholder has in its shares of the Company, and U.S. stockholders may recognize taxable gain or loss on any such distributions.

When the Company transfers assets to the Liquidating Trust, stockholders will generally be treated for tax purposes as having received their pro rata share of the property transferred to the Liquidating Trust (including the right to receive all sale proceeds paid to the Company out of the escrows established pursuant to the Company's transaction agreements), reduced by the amount of known liabilities assumed by the Liquidating Trust or to which the property transferred is subject. The Liquidating Trust itself will not be subject to federal income tax. After the transfer of assets to the Liquidating Trust, the holders of

beneficial interests in the Liquidating Trust will be required to recognize, for federal income tax purposes, their allocable portion of any income, gain, deduction or loss recognized by the Liquidating Trust. As a result of the transfer of property to the Liquidating Trust and the ongoing activities of the Liquidating Trust, holders of beneficial interests in the Liquidating Trust may be subject to tax, whether or not they have received any actual distributions from the Liquidating Trust with which to pay such tax.

QUESTIONS AND ANSWERS ABOUT THE VOTING PROCEDURES FOR THE ANNUAL MEETING

The following questions and answers are intended to address some commonly asked questions regarding the Annual Meeting. These questions and answers may not address all questions that may be important to you as a stockholder of KGen Power Corporation. Please refer to the "Summary" beginning on page 2 and the more detailed information contained elsewhere in this Proxy Statement, *Annex A* and the documents referred to or incorporated by reference in this Proxy Statement. See "Where You Can Find Additional Information" beginning on page 46.

Q: Why am I receiving these proxy materials?

A: You are receiving these proxy materials from us because you were a stockholder of record at the close of business on the December 17, 2012 (the "Record Date"). As a stockholder of record, you are invited to attend the Annual Meeting and are entitled to and requested to vote on the business to be conducted at the Annual Meeting or any adjournment or postponement thereof.

Q: When and where is the Annual Meeting?

A: The Annual Meeting will be held on February 7, 2013, at 2:00 p.m., local time, in the Gulf Coast conference room, Suite 200, of the Four Oaks Place building located at 1330 Post Oak Blvd, Houston, Texas 77056.

Q: Who is entitled to vote at the Annual Meeting?

A: You are entitled to vote at the Annual Meeting only if you were a stockholder of the Company as of the close of business on the Record Date.

Q: What do I need to do now?

A: This Proxy Statement contains important information about the Annual Meeting, including information about the Dissolution. We urge you to carefully read this Proxy Statement, including *Annex A*. Even if you plan to attend the Annual Meeting, if you hold your shares in your own name as the stockholder of record, please vote your shares on the Internet or by telephone using the number shown on your proxy card or by signing, dating and returning the enclosed proxy card. You may also attend the Annual Meeting and vote by ballot in person. If you hold your shares in "street name," follow the procedures provided by your bank, broker or other nominee.

A number of brokers and banks participate in a program provided through Broadridge Financial Solutions, Inc. that offers telephone and Internet votes of proxies. If your shares are held in an account with a broker or bank participating in the Broadridge Financial Solutions, Inc. program, you may vote your proxy for those shares telephonically by calling the telephone number shown on the form received from your broker or bank, or via the Internet at Broadridge Financial Solutions, Inc.'s web site at www.proxyvote.com.

Your vote is important. We encourage you to vote as soon as possible.

Q: Can I change my vote after I have submitted a proxy or voting instruction card?

A: Yes. If you are a stockholder of record you can change your vote at any time before your proxy is voted at the Annual Meeting. You can do this in one of three ways:

- you can send a signed notice of revocation to the Secretary of KGen;
- you can submit a revised proxy bearing a later date by Internet, telephone or mail as described above; or

- you can attend the Annual Meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose the first method of revocation, you must submit your notice of revocation or your new proxy no later than the beginning of the Annual Meeting. If you choose the second method of revocation, you must submit your notice of revocation or your new proxy no later than 11:59 p.m., Eastern Time, on February 6, 2013. If you are a beneficial owner of shares held in street name, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the Annual Meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Additional information on changing your vote is located on page 14.

Q: What vote of KGen stockholders is required to approve each Proposal?

A: *Proposal 1: Election of Directors*. A director nominee will be elected if he receives affirmative votes representing a majority of the votes cast at the meeting with respect to his election. Because each of the Board's nominees is a current director of the Company, any nominee who fails to be elected at the Annual Meeting will remain in office as a "holdover" director until the earlier of his resignation, removal or death or the election by the stockholders of a successor director.

Proposal 2: Ratification of Independent Public Accountants: To be approved, this proposal requires the affirmative vote of a majority of the total votes cast by holders of the outstanding shares of KGen common stock entitled to vote and present in person or represented by proxy at the Annual Meeting.

Proposal 3: Dissolution: To be approved, this proposal requires the affirmative vote of a majority of the outstanding shares of KGen common stock.

Q: What happens to my shares of KGen common stock after the Dissolution?

A: The liquidating distributions to our stockholders pursuant to the Plan of Liquidation and the Dissolution, including any transfers to the Liquidating Trust for the benefit of our stockholders, shall be in complete redemption and cancellation of all of the outstanding shares of KGen common stock. Upon the effective time of the Dissolution, each holder of KGen common stock will cease to have any rights with respect to his, her or its shares, except the right to receive his, her or its pro rata share of any distributions from the Liquidating Trust.

Q: Who can answer any questions I may have about the Annual Meeting, the Election of Directors or the Dissolution?

A: Stockholders may call KGen at (713) 979-1990 with any questions they may have.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement, documents incorporated by reference, as well as oral statements made or to be made by us contain or will contain statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as "forward-looking statements". All statements included in this Proxy Statement, documents incorporated by reference, as well as oral statements made or to be made by us, other than statements of historical fact, that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause actual results and developments to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as "anticipate", "plan", "may", "will", "should", "expect" and other words of similar meaning identify these forward-looking statements, which appear in a number of places in this Proxy Statement, documents incorporated by reference, as well as oral statements made or to be made by us and include, but are not limited to, all statements relating directly or indirectly to the amounts or timing of distributions, the amount of our liabilities, obligations and ongoing expenses, the completing the dissolution and the wind down of the Company and the activities of the Liquidating Trust, all other statements regarding our intent, plans, beliefs or expectations or those of our directors or officers or the trustees of the Liquidating Trust. Stockholders are cautioned that such forward-looking statements are not assurances for future performance or events and involve risks and uncertainties that could cause actual results and developments to differ materially from those covered in such forward-looking statements. These risks and uncertainties include the following factors:

- the possibility that we may be subject to indemnification claims and be required to make indemnification payments under our sale agreements out of, or in excess of, the portion of the purchase price that has been, or will be, placed into escrow to secure post-closing indemnification obligations;
- the amount of the costs, fees, expenses, and other charges related to the completion of the Dissolution and the wind down of the Company may exceed our expectations; and
- the adoption of new, or changes in, laws or regulations, including tax laws and regulations, and the possibility that there may be changes in how such laws or regulations are interpreted and enforced.

Consequently, all of the forward-looking statements we make in this document are qualified by the information contained or incorporated by reference herein. We are under no obligation to publicly release any revision to any forward-looking statement contained or incorporated herein to reflect any future events or occurrences.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, many of which are beyond our control. You should carefully consider the cautionary statements contained or referred to in this section in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf.

THE ANNUAL MEETING

Date, Time and Place

The Annual Meeting will be held on February 7, 2013, at 2:00 p.m., local time, in the Gulf Coast conference room, Suite 200, of the Four Oaks Place building located at 1330 Post Oak Blvd, Houston, Texas 77056.

Purpose of the Annual Meeting

The purpose of the Annual Meeting is for our stockholders:

- To elect two directors to the Board of Directors, each to hold office until such director's respective successor shall have been duly elected and qualified;
- To ratify the appointment by the Board of Directors of Deloitte & Touche LLP as the independent registered public accountants for the Company for the fiscal year ending June 30, 2013;
- To vote on a resolution adopted by the Board approving and deeming advisable, the dissolution of the Company and the Plan of Dissolution under Delaware law attached hereto as *Annex A*; and
- To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

General

The enclosed proxy is solicited on behalf of the Board for use at the Annual Meeting of Stockholders, or at any adjournment or postponement thereof.

This Proxy Statement, the Notice of Annual Meeting of Stockholders and the form of proxy are being mailed to stockholders on or about January 7, 2013.

Record Date and Share Ownership

Stockholders of record on the Company's books at the close of business on December 17, 2012 are entitled to notice of and to vote at the Annual Meeting. At the Record Date, 56,212,199 shares of KGen common stock were issued and outstanding. For information concerning stock ownership by our directors and officers, see the section on "Security Ownership of Management" beginning on page 36 below.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person who gave the proxy at any time before its use by: (i) delivering to the Company a written notice of revocation prior to the voting of the proxy, (ii) submitting a subsequent proxy by Internet or telephone or delivering to the Company a duly executed proxy bearing a later date, or (iii) if you are a stockholder of record, attending the Annual Meeting and voting in person or revoking your prior proxy. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

Voting and Solicitation

Each stockholder of record is entitled to one vote for each share of common stock held in his or her name on the Record Date on each matter submitted to a vote at the Annual Meeting. Cumulative voting is not permitted with respect to any proposal to be acted upon at the Annual Meeting.

If properly completed and received by the Company (whether by mail, telephone or Internet) before the Annual Meeting, any proxy representing shares of common stock entitled to be voted at the Annual

Meeting and specifying how it is to be voted will be voted accordingly. Any such proxy, however, which fails to specify how it is to be voted, will be voted in accordance with the recommendation of the Board.

A quorum of stockholders is necessary to hold a valid Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum.

In Proposal 1 (Election of Directors), a director nominee will be elected if he receives affirmative votes representing a majority of the votes cast at the meeting with respect to his election. Because each of the Board's nominees is a current director of the Company, any nominee who fails to be elected at the Annual Meeting will remain in office as a "holdover" director until the earlier of his resignation, removal or death or the election by the stockholders of a successor director.

The approval of Proposal 2 (Ratification of Independent Public Accountants) will require the affirmative vote of a majority of the total votes cast by holders of the outstanding shares of KGen common stock entitled to vote and present in person or represented by proxy at the Annual Meeting.

The approval of Proposal 3 (Dissolution) will require the affirmative vote of a majority of the outstanding shares of KGen common stock.

Pursuant to Delaware law, the Board must appoint an inspector to act at the Annual Meeting. The inspector is to carry out the duties imposed pursuant to Section 231 of the DGCL, including the counting of votes. Votes will be counted by the inspector of election appointed for the meeting, who will separately count "For" and "Against" votes, abstentions and broker non-votes. A "broker non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to the proposal and has not received instructions with respect to that proposal from the beneficial owner (despite voting on at least one other proposal for which it does have discretionary authority or for which it has received instructions). Abstentions and broker non-votes will be counted in determining whether a quorum is present. Because approval of Proposal 3 (Dissolution) requires the affirmative vote of holders of a majority of the outstanding shares of common stock, abstentions, broker non-votes and the failure to vote your shares will have the same effect as a vote "Against" the approval of the Dissolution. Abstentions and broker non-votes will have no effect on the approval of Proposal 1 (Election of Directors) and Proposal 2 (Ratification of Independent Public Accountants).

When a stockholder signs or otherwise electronically or telephonically submits the proxy card, he or she appoints Thomas B. White, our President and Chief Executive Officer, and Kevin Redmond, our Chief Accounting Officer and Controller, or each of them, as his or her representatives at the Annual Meeting. Mr. White or Mr. Redmond will vote the shares, as instructed on the proxy card (whether by mail, telephone or Internet), at the Annual Meeting. In this manner, the shares will be voted whether or not the stockholder attends the Annual Meeting. Even if the stockholder plans to attend the Annual Meeting, he or she should complete, sign and return or otherwise electronically or telephonically submit the proxy card in advance of the Annual Meeting in the event of a change in plans.

The cost of soliciting proxies will be borne by KGen. In addition, KGen expects to reimburse brokerage firms and other persons representing beneficial owners of common stock for their expenses in forwarding solicitation material to such beneficial owners. Proxies may be solicited by mail and may be supplemented by telephone or personal solicitation by certain of the directors, officers and regular employees of ours or, at our request, by a professional proxy solicitor. No additional compensation will be paid to directors, officers or regular employees for such services, but if professional proxy solicitors are used, such solicitors will be paid their customary fees by us.

Voting via the Internet or by Telephone

Most beneficial owners whose stock is held in street name receive voting instruction forms from their banks, brokers, or other agents.

A number of brokers and banks participate in a program provided through Broadridge Financial Solutions, Inc. that offers telephone and Internet votes of proxies. If your shares are held in an account with a broker or bank participating in the Broadridge Financial Solutions, Inc. program, you may vote your proxy for those shares telephonically by calling the telephone number shown on the form received from your broker or bank, or via the Internet at Broadridge Financial Solutions, Inc.'s web site at www.proxyvote.com.

How to Vote

Telephone and Internet voting information is provided on your proxy card. A control number, located on the proxy card, is designed to verify your identity, allow you to vote your shares and confirm that your voting instructions have been properly recorded.

If your shares are held in the name of a bank or broker, you should follow the voting instructions on the form you receive from the bank or broker. The availability of telephone or Internet voting will depend on your bank or broker's voting process. If you choose not to vote by telephone or Internet, please return your proxy card, properly signed, and the shares represented will be voted in accordance with your directions. You can specify your choices by marking the appropriate boxes on the proxy card.

If your proxy card is signed and returned without specifying choices, the shares will be voted "FOR" each of the director nominees named in this Proxy Statement, "FOR" the approval of the Dissolution, "FOR" ratification of the appointment of the independent registered public accountants and otherwise in the discretion of the proxies referenced in the proxy card.

We encourage you to vote your shares in advance of the Annual Meeting date even if you plan on attending the Annual Meeting.

Attending the Annual Meeting

You are entitled to attend the Annual Meeting only if you were a stockholder of KGen at the close of business on the Record Date, or hold a valid proxy for the Annual Meeting.

Common Stock Ownership of Directors and Executive Officers

As of Record Date, our directors and executive officers had, or were deemed to have, beneficial ownership of shares of KGen common stock representing, in the aggregate, approximately 1.8% of our outstanding common stock.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

This Proxy Statement is available at www.kgenpower.com.

Questions and Additional Information

If you have questions about this Proxy Statement, the Annual Meeting or the Dissolution or need assistance with voting procedures, you should contact:

KGen Corporation
Four Oaks Place
1330 Post Oak Boulevard, Suite 1500
Houston, Texas 77056
(713) 979-1990

PROPOSAL 1:
ELECTION OF DIRECTORS

Two directors are to be elected to the Board at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the three nominees of the Board named below, all of whom are presently directors of the Company and have served continuously since the month and year indicated opposite each such director's name in the following table, each to hold office until such director's successor shall have been duly elected and qualified. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies voted for that nominee will be voted for any nominee who shall be designated by the present Board to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director.

Gerald J. Stalun, who has served as a director of the Company since May 2008, will step down as director of the Company effective as of the Annual Meeting. The Company is grateful to Mr. Stalun for his service as a Member of our Board.

Nominees for the Board of Directors

The names of the nominees for director, their ages and certain other information about them are set forth below:

Name of Nominee	Age	Principal Occupation	Director Since
Daniel T. Hudson . . .	46	Chairman of the Board; president and CFO of Navasota Energy Services LLC and Navasota Wind Partners LP	February 2008
Thomas B. White . . .	56	President and Chief Executive Officer of the Company	April 2008

There is no family relationship between any director, executive officer or person nominated or chosen by the Company to become a director or executive officer of the Company.

The following information, which has been provided by the Company's director nominees, sets forth each such person's principal occupation, employment and business experience during the past five years, and the period during which such person served as a director of the Company.

Daniel T. Hudson

Mr. Hudson became a director in February of 2008 and was elected Chairman of the Board in May 2008. Mr. Hudson is the president and CFO and a principal owner of Navasota Energy Services LLC and Navasota Wind Partners LP. He is responsible for M&A, capital formation/management from private equity, third-party debt, and equity-raising. Navasota Energy Services LLC is currently the Asset Manager for 1,060 MW Guadalupe Power Partners LP located in New Braunfels, Texas. Navasota Wind Partners LP is a majority owner in 600 MW Hartland Wind Farm LLC located in North Dakota. Until April, 2010, Mr. Hudson was a Director and CFO of Navasota Holdings Texas Partners LP, a 1,650 MW ERCOT portfolio. During 24 years of industry experience, Mr. Hudson has focused on wholesale electric and gas markets. His background includes asset acquisition and divestiture strategies, implementation, and financing at Navigant Consulting, Duke Energy North America, and NRG Energy. Prior to joining Navigant, Hudson served as Managing Director of Acquisitions and Divestitures for Duke where he led the company's acquisition and divestiture program. Mr. Hudson received a BS in Mechanical Engineering from the University of Minnesota and an MBA from the University of St. Thomas.

Thomas B. White

Mr. White became a director in April 2008 and was named President and Chief Executive Officer in March 2009. Prior to joining the management of KGen, Mr. White was employed as a director by Stark Investments, a multi-strategy asset management firm with over $14 billion in assets under management. At

Stark, Mr. White was responsible for the identification, evaluation, and closing on private equity type investments in physical energy assets and businesses, as well as supporting asset management activities for investments made by Stark through the energy asset team and investments employed through other asset strategies including risk arbitrage and commodity hedging structures. From 2002 to 2006, Mr. White was employed by Marathon Capital, LLC, a boutique investment banking firm focusing on the power generation and renewable energy markets, where he was an officer and Managing Director from 2003 to 2006. At Marathon, Mr. White was the principal executive responsible for banking, origination and marketing activities which included the sourcing, evaluation, and closing of non-recourse financing structures for renewable and conventional energy assets and for managing financial consulting efforts with corporate clients in the acquisition and divestiture of energy assets and portfolios in these markets. From 1996 to 2002, Mr. White was employed by Duke Energy, where he was senior director, Development, for Duke Energy North America from 2001 to 2002 and Vice President, Industrial Services, for DukeSolutions, Inc. for 1997 to 2001. Mr. White received his Bachelor of Sciences in Mechanical Engineering from the University of Illinois and is a Registered Professional Engineer in the State of Illinois. From 2004 to 2007, Mr. White was a Registered Representative and held Series 7 and Series 63 Licenses. Mr. White is currently a Director of Renewable Biofuels, a Houston-based biofuel production company.

The Board recommends a vote FOR each named nominee for director.

PROPOSAL 2:
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Board selected Deloitte & Touche LLP, independent registered public accountants, as the independent registered public accountants to audit the financial statements of the Company for the fiscal year ending June 30, 2013 and recommends that the stockholders ratify such selection.

Stockholder ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accountants is not required by the Company's Bylaws or otherwise. However, the Board is submitting the selection of Deloitte & Touche LLP to audit the Company's financial statements for the year ending June 30, 2013 to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Board will reconsider whether or not to retain the firm. Even if the selection is ratified, the Board, in its discretion, may direct the appointment of different independent registered public accountants at any time if the Board determines that such a change would be in the best interests of the Company and its stockholders.

The Board recommends a vote FOR approval of this proposal.

PROPOSAL 3:
APPROVAL OF THE PROPOSED DISSOLUTION OF THE COMPANY

General

At the Annual Meeting, you will be asked to approve the Dissolution. Our Board unanimously approved the Dissolution, subject to stockholder approval, on January 3, 2013. The material features of the Dissolution are summarized below. We urge our stockholders to carefully read this Proxy Statement and the Plan of Dissolution attached as *Annex A* in their entirety.

The Company

KGen Power Corporation previously owned and operated electric power generation plants and sold electricity and electrical generation capacity in the United States. Our portfolio consisted of five power plants located in the southeastern United States with General Electric 7FA and 7EA gas turbines having an aggregate nominal operating capacity of 3,030 megawatts, or MW. These facilities consisted of:

- our Murray I and Murray II combined-cycle power plants located near Dalton, Georgia, with an aggregate nominal operating capacity of 1,250 MW;
- a combined-cycle power plant located in Hinds County, Mississippi, with a nominal operating capacity of 520 MW;
- a combined-cycle power plant located in Hot Spring County Arkansas, with a nominal operating capacity of 620 MW; and
- a simple cycle facility located in Sandersville, Georgia) with a nominal operating capacity of 640 MW.

As a result of the completion of these sale transactions, we no longer own any power generation facilities and will not conduct any further business other than in connection with the wind down of the Company.

Our Sale Transactions and the Plan of Complete Liquidation; Background to the Dissolution.

In April 2008, the Board announced that it would undertake a review of the Company's strategic alternatives. As a result of this review process, during the period from May 2010 through November 2012, we entered into and completed four transactions pursuant to which we sold all five of our generation facilities for aggregate cash consideration of $1.1 billion.

On July 9, 2010, we completed the sale of KGen Sandersville LLC, our former subsidiary that owned our simple cycle power generation facility located in Sandersville, Georgia, to an entity formed by ArcLight Energy Partners Fund III, LP. In connection with this transaction, we received $129.3 million in cash sale proceeds. We used the majority of the net proceeds from this transaction to reduce our then outstanding indebtedness.

On April 8, 2011, we completed the sale of KGen Murray I and II LLC, our former subsidiary that owned our Murray I and II combined-cycle power generation facilities, to Oglethorpe Power Corporation for a total purchase price of $529.3 million in cash. We received $451.6 million of the purchase price at closing. We used $138.0 million of the net proceeds to repay our outstanding indebtedness and satisfy related obligations. In addition, on June 24, 2011, pursuant to the Plan of Liquidation, we made a cash distribution of $5.00 per share (or approximately $280.6 million, in the aggregate) to our stockholders out of the net proceeds of the Murray sale.

Under the terms of the Murray transaction agreement, $79.7 million of the purchase price was placed into escrow for a period of 18 months to secure customary post-closing indemnification obligations. The full $79.7 million placed into escrow was released to us in October 2012.

On April 27, 2011, the Board unanimously approved and adopted the Plan of Liquidation for federal income tax purposes. The Plan of Liquidation provides that the Company will distribute to the stockholders of the Company (on a pro rata basis), in a series of distributions in complete liquidation of the Company, the net proceeds of the Company's sale transactions. The Plan of Liquidation provides that the Company will make the final liquidating distribution under the Plan of Liquidation to its stockholders no later than three years after the date of adoption of the Plan of Liquidation. Pursuant to the Plan of Liquidation, we made a cash distribution of $5.00 per share to our stockholders in June 2011 out of the net proceeds of the sale of our former subsidiary KGen Murray I and II LLC.

On November 30, 2012, we completed the sale of our combined-cycle power generation facility located in Hot Spring county, Arkansas, to Entergy Arkansas, Inc. for a purchase price of $253.0 million in cash, subject to certain post closing adjustments. We received $215.0 million of the purchase price at closing, subject to certain post closing adjustments. Under the terms of the Hot Spring transaction agreement, $38.0 million of the purchase price was placed into escrow to secure customary post-closing indemnification obligations to be released in three installments. The first installment of $12.0 million is subject to release from escrow 12 months after closing, in December 2013. A second installment of $13.8 million is subject to release from escrow 18 months after closing, in June 2014. A third installment of $12.2 million is subject to release from escrow 42 months after closing, in May 2016. If the proposed Dissolution is approved by stockholders, we expect that the second and third installments will be released after the Dissolution Date and will be paid over to the Liquidating Trust.

On November 30, 2012, we completed the sale of our combined-cycle power generation facility located in Hinds County, Mississippi, to Entergy Mississippi, Inc. for a purchase price of $ 206.0 million in cash, subject to certain post closing adjustments. We received $172.6 million of the purchase price at closing, subject to certain post closing adjustments. Under the terms of the Hinds transaction agreement, $30.0 million of the purchase price was placed into escrow to secure customary post-closing indemnification obligations to be released in three installments. The first installment of $10.0 million is subject to release from escrow 12 months after closing, in December 2013. A second installment of $10.0 million is subject to release from escrow 18 months after closing, in June 2014. A third installment of $10.0 million is subject to release from escrow 42 months after closing, in May 2016. If the proposed Dissolution is approved by stockholders, we expect that the second and third installments will be released after the Dissolution Date and will be paid over to the Liquidating Trust.

On December 5, 2012, we announced that, pursuant to the Plan of Liquidation, the Board declared a cash distribution of $8.60 per share to be paid on or about December 26, 2012 to stockholders of record as of the close of business on December 17, 2012 out of (a) the net proceeds received by the Company in connection with the closing of the Hot Spring and Hinds sales, (b) net proceeds of the escrow amount released to us in October 2012 under the terms of our Murray transaction agreement and (c) excess cash on hand not reserved for the winding down of the Company's business.

Board Recommendation; Reasons for the Dissolution

After careful consideration, the Board unanimously determined that the Dissolution pursuant to the Plan of Dissolution attached as *Annex A* is advisable and in the best interest of KGen and its stockholders, approved the Dissolution, subject to stockholder approval, and recommends that you vote "**FOR**" the approval of the Dissolution.

In the course of reaching its determinations, the Board consulted with our management and our legal advisors and considered a number of substantive factors, both positive and negative, and potential benefits and detriments of the Dissolution. The Board believed that, taken as a whole, the following factors supported its decision to approve the Dissolution:

- the Company has sold all of its operating assets in multiple transactions and does not own or operate any businesses;

- Because the Company's distributions are being made pursuant to the Plan of Liquidation previously adopted by the Board, U.S. stockholders will be able to apply the distributions made by the Company prior to the Dissolution against their adjusted tax basis in their Company's shares, rather than treating those distributions as dividends potentially taxable at ordinary income tax rates.
    - However, if the Company fails to make its final liquidating distribution under the Plan of Liquidation within approximately three years after the adoption of the Plan of Liquidation, these distributions could be recharacterized as dividends taxable at ordinary income tax rates.
    - The Dissolution and the transfer of the Company's remaining cash and assets to the Liquidating Trust would constitute a final liquidating for purposes of the Liquidation Plan, and, if completed on or about April 2014, as anticipated, would allow prior distributions by the Company not to be recharacterized as dividends taxable at ordinary income rates. If the proposed Dissolution is not completed, we may not be able make the final liquidating distribution under the Plan of Liquidation within approximately three years of its adoption and, as such, prior distributions under the Plan of Liquidation could be recharacterized as dividends taxable at ordinary income tax rates.
- The DGCL requires that the Dissolution be approved by the affirmative vote of holders of a majority of the outstanding shares of KGen common stock, which ensures that our Board will not be taking actions of which a significant portion of our stockholders disapprove.

Our Board also considered the following negative factors in arriving at its conclusion that dissolving and liquidating the Company is advisable and in the best interests of the Company and its stockholders:

- the timing, nature and amount of any liquidating distributions to stockholders is uncertain;
- under Delaware law, our stockholders may be required to return to creditors some or all of the liquidation distributions;
- if the Dissolution is approved by our stockholders, stockholders would generally not be permitted to transfer shares of our common stock or beneficial interests they receive in the Liquidation Trust after the Dissolution Date; and
- When the Company transfers assets to the Liquidating Trust, stockholders will generally be treated for tax purposes as having received their pro rata share of the property transferred to the Liquidating Trust (including the right to receive all sale proceeds paid to the Company out of the escrows established pursuant to the Company's transaction agreements), reduced by the amount of known liabilities assumed by the Liquidating Trust or to which the property transferred is subject, and after transfer of assets to the Liquidating Trust, the holders of beneficial interests in the Liquidating Trust will be required to recognize, for federal income tax purposes, their allocable portion of any income, gain, deduction or loss recognized by the Liquidating Trust. As a result of the transfer of property to the Liquidating Trust and the ongoing activities of the Liquidating Trust, holders of beneficial interests in the Liquidating Trust may be subject to tax, whether or not they have received any actual distributions from the Liquidating Trust with which to pay such tax.

In considering the possibility of adopting the Plan of Liquidation, the Board considered whether the Company should retain an outside firm to conduct the liquidation and dissolution process or whether the Company should do so using existing personnel. In determining whether to conduct the dissolution and liquidation process using the Company's own personnel, the Board considered the cost, expense and expertise of various outside firms and the cost, expense and expertise of the appropriate personnel of the Company. After considering the expected cost to the Company of retaining an outside firm and the potential benefits to the Company and its stockholders of utilizing the Company's own personnel to conduct the dissolution and liquidation process in light of their extensive knowledge and familiarity with the Company, its former assets and the terms of the transaction agreements, the Board believed that it is in

the best interest of KGen and its stockholders for the Company to employ existing personnel to conduct the liquidation and dissolution.

The foregoing discussion summarizes the material factors considered by the Board in its consideration of the Dissolution. In view of the variety of factors and the quality and amount of information considered, as well as the complexity of these matters, the Board did not find it practicable to, and did not attempt to, make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching this determination. The Board conducted an overall review of the factors described above, as well as others, and considered the benefits of the Dissolution to outweigh the risks and the factors overall to be favorable to, and to support, its determination. Individual members of the Board may have given different weight to different factors.

Anticipated Distributions to Stockholders

On December 5, 2012, we announced that, pursuant to the Plan of Liquidation, the Board declared a cash distribution of $8.60 per share out of (a) the net proceeds received by us in connection with the closing of the Hot Spring and Hinds sales, (b) net proceeds of the escrow amount released to us in October 2012 under the terms of our Murray transaction agreement and (c) excess cash on hand not reserved for the winding down of the Company's business. This distribution, which amounted to approximately $483.4 million, in the aggregate, was paid on or about December 26, 2012 to stockholders of record as of the close of business on December 17, 2012.

The Board expects that the Company or the Liquidating Trust will distribute to the stockholders (in their capacity as beneficial owners of the Liquidating Trust) all of the net proceeds received by the Company or the Liquidating Trust, as applicable, from the escrowed funds released under the Murray, Hot Spring and Hinds transaction agreements and any other cash of the Company, subject to wind down expenses and any reserves established for satisfaction of liabilities of the Company, including contingent liabilities. As of November 30, 2012, the Company held cash and cash equivalents of $532.7 million (which includes the cash received by the Company from the sale of the Hot Spring and Hinds facilities, but does not reflect the payment of taxes, transaction fees and expenses and cash bonuses payable in connection with those sale transactions, all of which was payable after November 30, 2012, or the approximately $483.4 million, in the aggregate distributed to stockholders on or about December 26, 2012).

The Company currently estimates that the total amount per share anticipated to be distributed to stockholders is between $14.70 to $14.80 in cash, including the $5.00 per share distributed to stockholders in June 2011 and the $8.60 per share that was distributed on or about December 26, 2012.

The Company currently estimates that the Company or the Liquidating Trust will make future distributions to stockholders pursuant to the Plan of Liquidation from the proceeds released under the escrow pursuant to the Hot Spring and Hinds transaction agreements, as follows:

- $0.40 per share shortly after receipt by the Company of the first installment under the escrow, expected to be released in December 2013;
- $0.30 per share shortly after receipt by the Liquidating Trust of the second installment under the escrow, expected to be released in June 2014; and
- $0.45 per share/unit shortly after receipt by the Liquidating Trust of the third installment under the escrow, expected to be released in May 2016.

Any remaining cash held in the Liquidation Trust thereafter will be distributed shortly after the trustees of the Liquidation Trust determine in their discretion that all remaining liabilities and obligations (including contingent obligations) of the Company and the Liquidation Trust have been satisfied or satisfactorily provided for.

The foregoing is based on the current estimates of the management of the Company. The amount of cash ultimately distributed, and the timing of those distributions, will depend on the extent, if any, to which the Company becomes subject to claims for indemnification under its transaction agreements and the amount of escrowed funds ultimately released to the Company. In addition, the amount of cash ultimately distributed will be reduced by, and the timing of such distributions may be delayed on the account of, any liabilities, obligations and expenses and claims against us or the Liquidating Trust, and contingency reserves that may be established by the Board or the trustees of the Liquidating Trust. We have attempted to estimate the expenses of satisfying outstanding obligations, liabilities and claims, including the expense of personnel required and other operating expenses necessary to wind down the Company. The Company currently estimates the costs and expenses necessary to wind down the Company to be approximately $7.8 million, which include, but are not limited to, legal, accounting and other professional fees, costs of terminating any remaining lease obligations of the Company, expenses of our personnel necessary to wind down the Company, and other administrative expenses, excluding an estimated $4.2 million of severance payments. However, if any of our estimates are inaccurate, the amount we and the Liquidation Trust distribute may be substantially less than the amount we currently estimate and such distributions may be made later than currently estimated. The Board will determine, in its sole discretion and in accordance with applicable law, the exact timing of, the amount of and the record dates for all distributions made to our stockholders.

Conduct of the Company Pending the Dissolution

If the Dissolution is approved by our stockholders, the Company will take any and all action that the Board, in its sole discretion and in accordance with the DGCL, deems necessary, appropriate or advisable to effect the Dissolution and transfer our remaining cash and other assets to the Liquidating Trust on or about April 2014.

Until the Dissolution is effected the Board may in its sole discretion, without further stockholder action, take the following actions:

- actions the Board deems necessary or appropriate to preserve the Company's remaining assets and rights, including under our transaction agreements, to liquidate any remaining assets of the Company and to wind up the Company's business and affairs;
- seek to satisfy, or reasonably provide for the satisfaction of, all claims and liabilities, including all contingent, conditional or unmatured claims and liabilities known to the Company;
- declare and make distributions to our stockholders as described above and to the extent permitted by law; and
- any and all other actions permitted or required by the DGCL and any other applicable laws and regulations.

Dissolution under Delaware Law

Under Delaware law, the dissolution of the Company will be effected by filing a certificate of dissolution with the Secretary of State. Under Section 278 of the DGCL, even though the Company is dissolved, it will continue its corporate existence for three years, or for such longer period as the Court of Chancery shall in its discretion direct, for the purpose of prosecuting and defending suits by or against the Company, and of enabling the Company gradually to settle and close its business, to dispose of and convey its property, to discharge its liabilities and to distribute to stockholders any remaining assets, but not for the purpose of continuing the business for which the corporation was organized. The Company anticipates that, after the Dissolution Date, the foregoing actions will be taken by the trustees of the Liquidation Trust.

Announcement of Effective Date of the Dissolution; Closing of Books and Transfer of Shares of KGen

If the proposed Dissolution is approved by stockholders of the Company, we expect to effect the Dissolution on a Dissolution Date on or about April 2014. We intend to make a public announcement in advance of the Dissolution Date. You may sell or otherwise transfer your shares in the Company until the Dissolution Date. However, we will close our stock transfer books and discontinue recording transfers of shares of KGen common stock on the Dissolution Date, at which time your shares of common stock will not be assignable or transferable on our books.

Liquidating Trust

Promptly after the Dissolution Date, the Company will transfer to a Liquidating Trust for the benefit of our stockholders, all remaining cash and other assets of the Company (including the right to receive all sale proceeds paid to the Company out of the escrows established pursuant to the Company's transaction agreements). In addition, the Liquidating Trust will assume, and become responsible for, all of the Company's unsatisfied liabilities and obligations, including any unknown or contingent liabilities of the Company. The assets of the Liquidating Trust will be held in trust for the beneficiaries thereof.

The purpose of the Liquidating Trust will be to continue to wind up the affairs of the Company with no objective to continue or engage in the conduct of a trade or business. In that connection, the trustees of the Liquidating Trust will be authorized to (i) further liquidate any remaining assets of the Liquidating Trust as the trustees of the Liquidating Trust deem necessary to carry out the purpose of the Liquidating Trust and facilitate distribution of the assets of the Liquidating Trust; (ii) allocate, protect, conserve and manage the assets of the Liquidating Trust (including the Company's rights under its transaction agreements); and (iii) distribute the remaining assets of the Liquidating Trust to the beneficiaries after satisfying or establishing reserves for Company's liabilities and anticipated future obligations, costs, expenses, and liabilities of the Liquidating Trust. In that connection, it is anticipated that all cash transferred by the Company to the Liquidating Trust and the net proceeds received by the Liquidating Trust of funds released from escrow after the Dissolution Date (and the proceeds received by the Liquidating Trust from the disposition of any non-cash assets it receives) will be distributed by the Liquidating Trust to the holders of beneficial interests in the Liquidating Trust, subject to wind down expenses and reserves for liabilities of the Company and the Liquidating Trust.

The Company's stockholders of record as of the close of business on the Dissolution Date will receive one unit of beneficial interests in the Liquidating Trust for each share of stock of the Company. The units of beneficial interests in the Liquidating Trust will not be represented by any form of certificate or other instrument. Rather, the trustees of the Liquidating Trust will maintain a record of the name and address of each holder of units of beneficial interests in the Liquidating Trust as well as the aggregate number of units held by each holder.

The units of beneficial interests in the Liquidating Trust will not be transferable by the holders thereof except as follows:

- The units of beneficial interests will be transferable by will, intestate succession, or operation of law; and
- The executor or administrator of the estate of a holder of units of beneficial interests may mortgage, pledge, grant a security interest in, hypothecate or otherwise encumber, the units held by the estate of such holder if necessary in order to borrow money to pay estate, succession or inheritance taxes or the expenses of administering the estate of the holder, upon written notice to, and written consent of, the trustees of the Liquidating Trust, which consent may not be unreasonably withheld.

Therefore, the recipients of units of beneficial interests in the Liquidating Trust will not realize any value from these interests unless and until the Liquidating Trust makes distributions to them.

The trustees of the Liquidating Trust will, for the benefit of the holders of units of beneficial interests, have the power and authority to hold, manage, and distribute the assets of the Liquidating Trust. The mandate of the trustees will be to act in a manner that they believe in good faith is in the best interests of all holders of units and in furtherance of the purpose of the Liquidating Trust.

The Liquidating Trust will be irrevocable and would terminate after the earliest of (i) the date the trust property is fully distributed or (ii) the third anniversary after the creation of the trust. Notwithstanding the foregoing, the life of the trust could be extended to more than three years if the trustees are then currently engaged in the determination, defense or settlement of a claim by or against the Liquidating Trust. Furthermore, to the extent the trust contains obligations that are payable after the third anniversary of the creation of the trust, the life of the trust may be extended for a period that is reasonably necessary to collect and distribute installments on those obligations.

The liquidating trust agreement would also establish the duties and authorities of the Liquidating Trust's trustee(s). It is expected that, under the liquidating trust agreement, no trustee of the Liquidating Trust will be subject to any personal liability whatsoever to any person in connection with the assets or affairs of the Liquidating Trust, except for fraud or other misconduct knowingly or intentionally committed in bad faith.

The approval of the Dissolution by our stockholders will authorize, without further stockholder action, the Board to cause the Company to enter into a liquidating trust agreement and also constitutes approval by our stockholders of the appointment of Daniel T. Hudson, W. Kevin Redmond, and Thomas B. White (or any replacements approved by the Board) to serve as the initial trustees of the Liquidating Trust.

Information to be Made Available by the Company and the Liquidating Trust

In order to maximize the amount of cash available for distributions to our stockholders, we will no longer prepare and provide to stockholders the quarterly and annual reports we previously provided to stockholders. We intend instead to post on our website at *www.kgenpower.com* the following:

- within 45 days after each fiscal quarter ended prior to the Dissolution Date (other than the last quarter of our fiscal year), a summary unaudited consolidated balance sheet of the Company as of the end of such quarter and summary unaudited statements of operations and stockholders' equity, all prepared in accordance with GAAP but without footnotes that may be required by GAAP; and
- within 90 days after the end of the June 30, 2013 fiscal year and within 90 days after the Dissolution Date, audited consolidated financial statements for the Company for such fiscal year (or for the period from the end of the prior fiscal year through the date of transfer of the Company's assets to the Liquidating Trust, as applicable) prepared in accordance with GAAP.

Each of these quarterly summaries and audited financial statements will be accompanied by a summary of all material information known to the Company impacting the likelihood and/or timing of the receipt by the Company and/or the Liquidating Trust of proceeds held in escrow pursuant to the transaction agreements and/or otherwise impacting the likelihood and/or timing of the payment of distributions by the Company and/or the Liquidating Trust.

After the Dissolution, we expect that the Liquidating Trust will make available on a periodic basis our website at *www.kgenpower.com* a summary of its cash on hand and expenses incurred as well as material information known to the trustees of impacting the likelihood and/or timing of the receipt by the Liquidating Trust of proceeds held in escrow pursuant to the transaction agreements and/or otherwise impacting the likelihood and/or timing of the payment of distributions by the Liquidating Trust. In connection with the termination of the Liquidating Trust, we expect that the trustees will make available on our website at *www.kgenpower.com* a summary of all cash and assets received by the Liquidating Trust, liabilities and expenses paid or satisfied by the Liquidating Trust and the amount of cash distributed by the Liquidating Trust to holders of beneficial interests in the Liquidating Trust.

Future Annual Meetings of Stockholders

To avoid the cost of future annual meetings of stockholders and maximize the amount of cash available for distributions to our stockholders, we do not expect to hold any future annual meetings of stockholders prior to the Dissolution. However, if after 13 months have elapsed since the date of the 2012 Annual Meeting, stockholders holding at least 35% of the Company's outstanding shares request that an annual meeting be held, the Board will (subject to its fiduciary duties) promptly call and hold an annual meeting for the election of directors. In addition, subject to the terms of the Company's bylaws, holders of at least 35% of the Company's outstanding shares may at any time require the calling of a special stockholders' meeting at which changes to the Board may be made. Finally, holders of a majority of the Company's outstanding shares may at any time (subject to the terms of our bylaws) act by written consent to change directors of the Company. Our certificate of incorporation and bylaws are available on our website at *www.kgenpower.com*.

Contingency Reserve

Under Delaware law, we are required, in connection with the Dissolution, to pay or reasonably provide for payment of all of the Company's liabilities and obligations. Prior to, and following the Dissolution Date, the Board and the trustees of the Liquidating Trust will seek to satisfy, to the extent of funds and assets available, all expenses and fixed and other liabilities, or set aside as a contingency reserve, assets which the Board or the trustees of the Liquidating Trust believe to be sufficient for payment thereof (the "Contingency Reserve").

We are currently unable to estimate with precision the amount of any Contingency Reserve that may be required, but any such amount will be deducted before the determination of amounts available for distribution to stockholders.

The actual amount of any Contingency Reserve will be based upon estimates and opinions of management, our Board and/or the trustees of the Liquidating Trust and derived from review of our and the Liquidating Trust's estimated operating expenses, including, but not limited to, accrued liabilities, anticipated compensation payments, estimated legal and accounting fees, rent, payroll and other taxes payable, miscellaneous office expenses, other expenses accrued in our financial statements, and contractual indemnification claims. There can be no assurance that the Contingency Reserve in fact will be sufficient. After the liabilities, expenses and obligations for which the Contingency Reserve had been established have been satisfied in full, the Liquidating Trust will distribute to the holders of its beneficial interests any remaining portion of the Contingency Reserve on a pro rata basis.

Potential Liability of Stockholders

Under Delaware law, we are required, in connection with the Dissolution, to pay or adequately provide for payment of all of the Company's liabilities and obligations. If we distribute assets to our stockholders without paying or providing adequately for all the Company's liabilities and obligations, Delaware law provides that a stockholder could be held liable to creditors of the Company for its pro rata portion (based on relative shareholdings) of any such liability, limited to the amount received by the stockholder in distributions from the Company or the Liquidating Trust under the Plan of Dissolution. Accordingly, in such circumstances, you may have to pay back some or all of the liquidating distributions made to you. Because we intend to carefully evaluate, and make adequate provision for, the Company's liabilities in winding up the Company, we do not anticipate that any liquidating distribution will be made without payment or adequate provision having been made for all the Company's liabilities.

Amendment, Modification or Abandonment of the Dissolution or Plan of Dissolution

If the Dissolution is approved by our stockholders, the Board expects the Dissolution will be effected on or about April 2014 (but reserves the right to effect the Dissolution sooner). However, if there are changes in the facts and circumstances relating to the Dissolution such that in the judgment of the Board the stockholders as of the record date for the annual meeting would not have approved the Dissolution had they been aware of the changed facts and circumstances, the Board may abandon the Dissolution without further stockholder action or approval, to the extent permitted by applicable law. The Board may also amend or modify the Plan of Dissolution, to the extent permitted by applicable law, without the necessity of any stockholder action or approval.

Interests of Executive Officers

Members of our Board and our executive officers may have interests in the Dissolution that are different from, or are in addition to, the interests of our stockholders generally. The Board was aware of these interests and considered them, among other matters, in approving the Dissolution.

We expect that each of the named executive officers other than Mr. Holland and Mr. Sweeney will be terminated as an employee as of March 31, 2013, generally entitling them to severance benefits under the employment agreements as discussed under the heading "Employment and Severance Agreements". We expect Mr. Holland and Mr. Sweeney to be terminated as of January 31, 2013. In addition, the Company expects to cancel all in-the-money and out-of-the-money employee stock options held by the Company's employees in exchange for a payment determined based on the difference between the exercise price of the in-the-money options and the trading price of the Company's shares at the time of cancellation, subject to each employee's execution of a release of claims against the Company. Assuming a per share price of $.80, the executive officers would receive the following payment for their options:

Named Executive Officer	Cancellation Payment ($)*
James H. Sweeney	78,377
William R. Marlow	41,175
Charles L. Holland	46,514
W. Kevin Redmond	25,942

* As noted above, these amounts are estimates based upon an estimated share price of $.80 and may be higher or lower depending upon the actual share price at the date of termination.

Because our shares are not listed on a national securities exchange or traded on any established trading market, trading in our shares has generally occurred primarily between institutional investors. As such, brokerage firms have been unwilling to execute trades in the Company's shares for individual investors such as our employees, making it very difficult for our employees to dispose of their shares in the market. To provide our employees with liquidity for their shares, the Company may repurchase shares from certain employees of the Company, other than Mr. White, at a price equal to the trading price of the shares at the time of repurchase.

The Company intends to enter into Separation and Consulting Services Agreements with each of Mr. White and Mr. Redmond, which would provide that following the termination of their employment with the Company, they will provide consulting services to the Company and/or Liquidating Trust in connection with the Dissolution.

As part of his consulting services, Mr. White would continue to be the Company's President and Chief Executive Officer and would be responsible for the overall management of the wind-down process. In this

role, Mr. White would be expected to participate in periodic status calls with the Board, lead quarterly Board meetings, manage shareholder relations, direct legal efforts, and manage resolution of any issues raised under the Company's transaction agreements. Mr. White would be paid an annual fee equal to $175,000 for his services. In addition, he would be entitled to receive a completion bonus of $100,000 upon the termination of the Liquidating Trust.

As part of his consulting services, Mr. Redmond would continue to be the Company's Chief Accounting Officer and would be responsible for the daily operation of the wind-down process. In this role, Mr. Redmond would be expected to produce financial reports for the Company, complete annual audits and annual tax filings with the Company's advisors, participate in periodic status calls with the Board, provide support for quarterly Board meetings, address shareholder requests, and oversee legal efforts and general corporate affairs. Mr. Redmond would be paid an annual fee equal to $250,000 for his services. In addition, Mr. Redmond would be entitled to receive a completion bonus of $200,000 upon the termination of the Liquidating Trust.

Upon a termination of Mr. White or Mr. Redmond's services as a consultant for any reason, he would no longer be entitled to consulting fees and would generally forfeit his right to receive a completion bonus upon the termination of the Liquidating Trust. However, Mr. White and Mr. Redmond would be paid a completion bonus at the time of his termination if his consulting services were terminated by the Company or Liquidating Trust without "cause". The definition of "cause" generally means the executive:

- is indicted or charged with a felony or other crime involving fraud or dishonesty (if acquitted or indictment dismissed, termination would retroactively be treated as a termination without "cause");
- commits an act of dishonesty that causes or reasonably is expected to cause material harm to the Company or its subsidiaries or the Liquidating Trust;
- materially breaches his Separation and Consulting Agreement, which breach is not cured within 30 days of notice;
- breaches any written policies or procedures of the Company or its subsidiaries, which breach causes or is expected to cause material harm to the Company or its subsidiaries or the Liquidating Trust; or
- engages in intentional misconduct that causes material harm to the Company or its subsidiaries or the Liquidating Trust.

Both Mr. White and Mr. Redmond expect to serve (for no additional fee) as Trustees of the Liquidating Trust until the termination of the Liquidation Trust or their removal as a trustee by the beneficiaries of the Liquidating Trust; however, neither executive would be entitled to vote as a trustee relating to his own Separation and Consulting Services Agreement. Each executive would be entitled to reimbursement for reasonable business expenses (including infrequent travel), but otherwise would not be entitled to any other payments or benefits other than as described herein.

Indemnification of Directors and Officers and Trustees of the Liquidating Trust

Following approval of the Dissolution, we will continue to indemnify our current and former officers, directors, and employees in accordance with our certificate of incorporation, bylaws and contractual arrangements for actions taken in connection with the Dissolution and the winding up of our business and affairs. The Company's obligation to indemnify such persons may be satisfied out of the assets of the Company or, after the Dissolution Date, out of the contingency reserve or the assets transferred to the Liquidating Trust. In addition, as part of our wind down process, the Company intends to purchase a policy of directors' and officers' insurance and a "tail" policy under our existing directors' and officers' insurance policy in connection with our indemnification obligations.

In addition, each trustee of the Liquidating Trust and each of its employees and agents, if any will be entitled to indemnification out of the assets of the Liquidating Trust against all liabilities and expenses,

including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and all costs and expenses, including, but not limited to, reasonable counsel fees and disbursements paid or incurred in investigating or defending against any such claim, demand, action, suit or proceeding by them in connection with the defense or disposition of any action, suit or other proceeding by the Liquidating Trust or any other person, in which they may be involved or with which they may be threatened while in office or thereafter, by reason of their being or having been a trustee, employee or agent. They will not, however, be entitled to such indemnification if they shall have been finally adjudicated to have committed fraud or other misconduct knowingly or intentionally committed in bad faith.

The Board has obtained and the Board and the trustee(s) of the Liquidating Trust are (or will be) authorized to obtain and maintain insurance as may be necessary to cover our or the Liquidating Trust's directors, officer, trustees, employees or agents.

Stockholder Approval Requirement

The Board is seeking stockholder approval of the Dissolution because we are a Delaware corporation and Section 275 of the DGCL requires that a Delaware corporation obtain the approval of the stockholders for the dissolution of a Delaware corporation. Approval of the Dissolution requires the affirmative vote of a majority of the outstanding KGen common stock.

Regulatory Approvals

We are not aware of any U.S. federal or state regulatory requirements or governmental approvals or actions that may be required to effect the Dissolution, except for compliance with the DGCL and the payment of all taxes and penalties, if any, of the Company.

Appraisal and Dissenter's Rights in Respect of the Dissolution

Under Delaware law, our stockholders are not entitled to appraisal or dissenter's rights in connection with the Dissolution.

Professional Fees and Expenses of Dissolution

It is specifically contemplated that we will obtain legal and accounting advice and guidance from one or more law and accounting firms in implementing the Dissolution, and we will pay all fees and expenses reasonably incurred by us in connection with or arising out of the Dissolution, including the prosecution, defense, settlement or other resolution of any claims or suits by or against us, the discharge, filing and disclosure of outstanding obligations, liabilities and claims, filing and resolution of claims with local, county, state and federal tax authorities, and the advancement and reimbursement of any fees and expenses payable by us pursuant to the indemnification we provide in our certificate of incorporation and bylaws, the DGCL or otherwise. In addition, in connection with and for the purpose of implementing and assuring completion of the Plan of Dissolution and the Dissolution, we or the Liquidating Trust may, in the absolute discretion of the Board or the trustees of the Liquidating Trust, pay any professional and other fees and expenses of persons rendering services to us in connection with the implementation of the Plan of Dissolution and the Dissolution.

Material United States Federal Income Tax Consequences

Pursuant to U.S. Treasury Department Circular 230, our stockholders are hereby notified that: (i) any discussion of U.S. federal income tax matters set forth in this document is not intended and was not written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the U.S. Internal Revenue Code of 1986, as amended (the "Code"); (ii) such discussion was written to support the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed

herein; and (iii) stockholders of the Company should seek advice based on their particular circumstances from their own independent tax advisors.

On April 27, 2011, the Board unanimously approved and adopted the Plan of Liquidation for federal income tax purposes. The Plan of Liquidation provides that the Company will distribute to the stockholders of the Company (on a pro rata basis), in a series of distributions in complete liquidation of the Company, the net proceeds of the Company's sale transactions. The Plan of Liquidation provides that the Company will make the final liquidating distribution under the Plan of Liquidation to its stockholders no later than three years after the date of adoption of the Plan of Liquidation.

Pursuant to the Plan of Liquidation, we made a cash distribution of $5.00 per share to our stockholders in June 2011 out of the net proceeds received at closing from the sale of our former subsidiary KGen Murray I and II LLC, the owner of the Murray I and Murray II facilities located near Dalton, Georgia. On December 5, 2012, we announced that the Board declared a cash distribution of $8.60 per share to be paid on or about December 26, 2012 to stockholders of record as of the close of business on December 17, 2012 out of (a) the net proceeds received by us in connection with the closing of the Hot Spring and Hinds sales, (b) net proceeds of the escrow amount released to us in October 2012 under the terms of our Murray transaction agreement and (c) excess cash on hand not reserved for the winding down of the Company's business. These are the first two distributions under the Plan of Liquidation. All future liquidating distributions made by the Company are expected to be made pursuant to the Plan of Liquidation.

The following is a general summary of certain material U.S. federal income tax considerations for beneficial owners ("Holders") of shares of common stock of the Company ("Shares") who receive future distributions from the Company pursuant to the Plan of Liquidation. This discussion assumes that the Company will liquidate in accordance with the Plan of Liquidation in all material respects.

This discussion is based on the Code, final and temporary Treasury Regulations promulgated thereunder, administrative pronouncements or practices and judicial decisions, all as in effect as of the date hereof. Future legislative, judicial or administrative modifications, revocations or interpretations, which may or may not be retroactive, may result in U.S. federal income tax considerations significantly different from those summarized herein. We have not sought, and do not intend to seek, any ruling from the Internal Revenue Service (the "IRS") or any other taxing authority with respect to any of the U.S. federal income tax considerations summarized herein, and there can be no assurance that the IRS will not challenge any of the considerations summarized herein, or that a court will not sustain any such challenge by the IRS.

For purposes of this discussion, the term "U.S. Holder" means a Holder that is, for U.S. federal income tax purposes:

- a citizen or an individual resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust which (i) is subject to the primary jurisdiction of a court within the United States and for which one or more U.S. persons have authority to control all substantial decisions, or (ii) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A "Non-U.S. Holder" is a Holder (other than a partnership or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder. If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Shares, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the

activities of the partnership. Partners in any partnership that holds Shares should consult their own tax advisors regarding the tax consequences to them of distributions in complete liquidation of the Company.

This summary is for general information only and does not constitute tax advice. This summary does not address all aspects of U.S. federal income taxation that may be relevant to Holders in light of their particular circumstances. In addition, this discussion does not apply to certain categories of Holders that are subject to special treatment under the U.S. federal income tax laws, such as (i) banks, financial institutions or insurance companies, (ii) regulated investment companies or real estate investment trusts, (iii) brokers or dealers in securities or currencies or traders in securities that elect mark-to-market treatment, (iv) tax-exempt organizations, qualified retirement plans, individual retirement accounts or other tax-deferred accounts, (v) controlled foreign corporations or passive foreign investment companies, (vi) Holders that acquired Shares in connection with the exercise of employee stock options or otherwise as compensation for services, (vii) Holders that own Shares as part of a straddle, hedge, constructive sale, conversion transaction or other integrated investment, (viii) Holders that are liable for the "alternative minimum tax" under the Code, (ix) U.S. Holders whose functional currency is not the United States dollar, or (x) U.S. expatriates. This discussion does not address any tax consequences arising under any state, local or non-U.S. tax laws or U.S. federal estate or gift tax laws. In addition, this discussion applies only to Holders that hold their Shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment).

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF U.S. FEDERAL TAX LAWS TO THEM IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES AND ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION.

U.S. Holders. For a U.S. Holder that owns a single block of Shares (*i.e.*, a group of Shares of the same class acquired in the same transaction at the same cost), the amount of a liquidating distribution received by such U.S. Holder will be applied against and reduce such U.S. Holder's total adjusted basis in such block of Shares. A U.S. Holder will recognize gain as a result of a liquidating distribution only to the extent that the aggregate value of the distribution and prior liquidating distributions received by such U.S. Holder exceeds such U.S. Holder's total adjusted basis in its block of Shares. If a U.S. Holder owns more than one block of Shares, each liquidating distribution will be allocated among such U.S. Holder's blocks of Shares in proportion to the number of Shares in each block. Within each block, the liquidating distributions will first be applied against the U.S. Holder's total adjusted basis in such block, and distributions in excess of such basis will result in the U.S. Holder's recognition of gain. A U.S. Holder will recognize loss only when such U.S. Holder receives its final liquidating distribution and then only if the aggregate value of all liquidating distributions with respect to a block of Shares is less than the U.S. Holder's total adjusted basis in such block. A U.S. Holder's adjusted tax basis in its Shares will depend upon various factors, including the price paid by such U.S. Holder for the Shares and the amount and nature of any prior distributions received with respect to such Shares. Generally, gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held its Shares for more than one year. Long-term capital gains of noncorporate U.S. Holders generally are subject to U.S. federal income tax at preferential rates, although such rates are subject to change and are currently scheduled to expire for taxable years beginning after December 31, 2012. The deduction of capital losses is subject to limitations. In addition, recently enacted legislation would impose on taxpayers that are individuals an additional tax of 3.8% on income in excess of certain thresholds.

If the Board were to revoke the Plan of Liquidation, which it is permitted to do at any time and is required to do if the Company fails to make its final liquidating distribution under the Plan of Liquidation within approximately three years of the adoption of the Plan of Liquidation, or if it were otherwise determined that distributions made pursuant to the Plan of Liquidation were not liquidating distributions, the portion of each distribution made out of the Company's earnings and profits (determined on a historic or current year basis as calculated in accordance with U.S. federal income tax principles) could be

recharacterized as a dividend taxable at ordinary income rates, and U.S. Holders would include the amount of the ordinary dividend in their gross income. For taxable years beginning before January 1, 2013, dividends received by a U.S. Holder from the Company generally will be taxable at the lower net capital gain rate (currently, a maximum of 15%) rather than ordinary income rates. The Company's earnings and profits will be computed at the close of the taxable year in which the distribution is made. The portion of a recharacterized distribution that is in excess of the Company's earnings and profits would reduce the U.S. Holder's adjusted basis in its Shares, and any amount in excess of the U.S. Holder's adjusted basis would be treated as capital gain. If a distribution were recharacterized as a dividend, U.S. Holders would have to file amended returns and pay any additional taxes that may be due.

Completion of Liquidation. If the Dissolution is approved by the Holders, the Company intends to make its final liquidating distribution under the Plan of Liquidation on or about the third anniversary of the Plan of Liquidation's adoption by transferring its then-remaining assets to the Liquidating Trust.

As described above, under the transaction agreements relating to the sale of the Company's Hot Spring and Hinds facilities, a portion of the purchase price has been placed in escrow to secure the Company's indemnification obligations. Most of the escrowed funds will not be released until after the third anniversary of the adoption of the Plan of Liquidation. In order to make the final liquidating distribution within approximately three years of the Plan of Liquidation's adoption, the Company currently expects to transfer all remaining cash and assets, including the Escrow Rights to the Liquidating Trust, which will be treated as a grantor trust for U.S. federal income tax purposes. Each Holder will be a beneficiary of the Liquidating Trust, and will be entitled to receive a pro rata portion of the Liquidating Trust's net assets, including any proceeds subsequently released from escrow. If the Dissolution is not approved by the Holders, the Company may not be able to make its final liquidating distribution within approximately three years of the adoption of the Plan of Liquidation, and, as such, a portion of the distributions previously made to Holders could be recharacterized as dividends, as noted above.

For U.S. federal income tax purposes, the transfer of the Company's then-remaining assets to the Liquidating Trust would be treated as if each Holder received a distribution of its proportionate share of the Company's remaining cash and other assets, including the Escrow Rights, which is expected to be the Company's primary asset, and contributed such proportionate share of the assets to the Liquidating Trust. As a result, the fair market value of the proportionate share of the Company assets, including the Escrow Rights, deemed to be distributed to a U.S. Holder would be applied against and reduce such U.S. Holder's remaining adjusted basis in its Shares. A U.S. Holder would recognize capital gain as a result of a deemed distribution pursuant to the transfer to the Liquidating Trust to the extent that the aggregate value of the deemed distribution and prior liquidating distributions received by such U.S. Holder exceeds such U.S. Holder's adjusted basis in its Shares. In addition, the Company will be required to recognize gain for tax purposes at the time of the Dissolution to the extent the Company's basis in the assets, including the Escrow Rights, transferred to the Liquidating Trust is less than the fair market value of those assets. Accordingly, the Dissolution will have the effect of accelerating the Company's tax obligation in respect of the second and third installments under escrow pursuant to the Hot Spring and Hinds transaction agreements.

After the transfer to the Liquidating Trust, each U.S. Holder would be treated as the owner of its allocable portion of the Liquidating Trust for U.S. federal income tax purposes, and would be required to take into account for U.S. federal income tax purposes its allocable share of the Liquidating Trust's income, gains, losses and deductions for the Liquidating Trust's taxable year or years ending with or within such U.S. Holder's taxable year without regard to whether the Liquidating Trust were to make cash distributions to such U.S. Holder. Consequently, U.S. Holders that are holders of beneficial interests in the Liquidating Trust could be subject to tax even if such U.S. Holders did not receive distributions from the Liquidating Trust with which to pay such tax.

The Liquidating Trust's tax basis in the Company assets, including the Escrow Rights, deemed contributed to it by Holders generally would be equal to the fair market value of the Company's cash and other assets, including the Escrow Rights, on the date of the transfer to the Liquidating Trust. If the Liquidating Trust subsequently received escrowed proceeds by virtue of holding Escrow Rights, the amount of each payment of escrowed proceeds (less any amounts treated as imputed interest) generally would be applied against and reduce the Liquidating Trust's tax basis in the Escrow Rights. A U.S. Holder would recognize its allocable share of imputed interest, as well as its allocable share of capital gain to the extent that the aggregate amount of escrowed proceeds received by the Liquidating Trust (less any amounts treated as imputed interest) exceeds the Liquidating Trust's adjusted basis in the Escrow Rights. Any capital gains received more than one year after the transfer to the Liquidating Trust would be treated as long term capital gains. A U.S. Holder would recognize its allocable share of capital loss only when the Liquidating Trust receives its final payment of escrowed proceeds (if any) and then only if the aggregate amount of escrowed proceeds received by the Liquidating Trust (less any amounts treated as imputed interest) is less than the Liquidating Trust's adjusted basis in the Escrow Rights. As each U.S. Holder is treated as the owner of its allocable portion of the Liquidating Trust for U.S. federal income tax purposes, a U.S. Holder would generally not recognize gain as a result of a distribution by the Liquidating Trust.

Non-U.S. Holders. Liquidating distributions received by a Non-U.S. Holder with respect to shares of the Company generally will not be subject to U.S. federal income tax, unless: (a) the gain, if any, is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment maintained by the Non-U.S. Holder), in which event (i) the Non-U.S. Holder will be subject to U.S. federal income tax on a net basis under regular graduated income tax rates in the same manner as if such Non-U.S. Holder were a U.S. Holder and (ii) if the Non-U.S. Holder is a corporation, it may also be subject to a branch profits tax at a flat rate of 30% (or such lower rate as may be specified under an applicable income tax treaty); (b) the Non-U.S. Holder is an individual who was present in the United States for 183 days or more in the taxable year in which the distribution is received and certain other conditions are met, in which event gain recognized by the Non-U.S. Holder will be subject to U.S. federal income tax at a flat rate of 30% (or such lower rate as may be specified under an applicable income tax treaty), but generally may be offset by U.S. source capital losses; or (c) the Shares are "United States real property interests" within the meaning of Section 897 of the Code.

The Company has determined that, while the matter is not free from doubt, it should not be treated as a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code and, therefore, the Company should not treat the Shares as "United States real property interests" within the meaning of Section 897(c)(1) of the Code. Accordingly, the Company will not withhold tax under the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), which otherwise might impose a withholding tax at a rate of 10% of the gross proceeds of distributions to Non-U.S. Holders.

If a distribution were recharacterized as a dividend to the extent of the Company's earnings and profits, the gross amount of such distribution paid to a Non-U.S. Holder generally would be subject to withholding at a rate of 30% unless such Non-U.S. Holder provided the Company or its paying agent with a properly executed (i) IRS Form W-8ECI (or other applicable form) stating that the distribution is not subject to withholding tax because it is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) IRS Form W-8BEN (or other applicable form) claiming an exemption from, or reduction in, withholding under an applicable income tax treaty.

Information Reporting and Backup Withholding. Liquidating distributions received by a Holder with respect to Shares during the preceding calendar year will be reported to the Holder and the IRS on Form 1099-DIV (or a successor form) as a cash liquidation distribution (Box 8 of the current Form 1099-DIV). In addition, distributions to noncorporate Holders may be subject to backup withholding tax at the applicable rate (currently 28%) unless an exemption applies. For an exemption to backup withholding to apply to a U.S. Holder, such U.S. Holder generally must timely provide the Company with a

correct taxpayer identification number and otherwise comply with certain certification procedures (generally, by providing a properly completed Form W-9). For an exemption to backup withholding to apply to a Non-U.S. Holder, such Non-U.S. Holder generally must certify under penalties of perjury on an appropriate and properly completed IRS Form W-8 that such Non-U.S. Holder is not a U.S. person. Each Non-U.S. Holder is urged to consult its own tax advisor to determine which IRS Form W-8 is appropriate in such Non-U.S. Holder's case. If Shares are held through a non-U.S. partnership or other flow-through entity, certain documentation requirements also may apply to the partnership or other flow-through entity.

Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules from a payment to a Holder generally will be allowed as a refund or credit against such Holder's U.S. federal income tax liability, provided that such Holder timely furnishes the required information to the IRS.

The Board recommends a vote FOR the Dissolution.

SECURITY OWNERSHIP OF MANAGEMENT

The table below reflects the number of shares of KGen common stock beneficially owned by (a) each director of the Company, (b) each of our named executive officers and (c) all directors and officers as a group (including officers of the Company not reflected below). Unless otherwise noted, the information is stated as of the Record Date. There were 56,212,199 shares of KGen common stock outstanding as of Record Date.

Each of the share numbers listed represented less than 1% of our outstanding shares of common stock, except for the share number listed for officers/directors combined, which represented approximately 1.8% of our outstanding shares of common stock.

Officers/Directors	Shares Beneficially Owned
Daniel T. Hudson	159,655(1)
Gerald J. Stalun	0(2)
Thomas B. White	49,134
James H. Sweeney	256,111(3)
William R. Marlow	165,743(4)
Charles L. Holland	167,678(5)
W. Kevin Redmond	109,710(6)
All officers/directors combined	1,030,549(7)

Notes:

(1) Mr. Hudson's shares beneficially owned include 100,000 shares subject to vested options with an exercise price of $5.90 per share.

(2) Mr. Stalun is a Managing Director of EIG Global Energy Partners, LLC (EIG). Funds and an investor for which an affiliate of EIG serves as subadvisor, together, owned 5,357,143 shares of common stock (9.53% of the outstanding shares of common stock) as of the Record Date. Mr. Stalun disclaims beneficial ownership of these shares.

(3) Mr. Sweeney's shares beneficially owned include 97,971 shares subject to vested options with an exercise price of $0.40 per share, 41,400 with an exercise price of $1.80 per share, 41,400 with an exercise price of $3.20 per share and 20,699 with an exercise price of $4.60 per share.

(4) Mr. Marlow's shares beneficially owned include 51,469 shares subject to vested options with an exercise price of $0.40 per share, 34,094 with an exercise price of $1.80 per share, 34,094 with an exercise price of $3.20 per share and 17,047 with an exercise price of $4.60 per share.

(5) Mr. Holland's shares beneficially owned include 58,143 shares subject to vested options with an exercise price of $0.40 per share, 25,814 with an exercise price of $1.80 per share, 25,814 with an exercise price of $3.20 per share and 12, 907 with an exercise price of $4.60 per share.

(6) Mr. Redmond's shares beneficially owned include 32,428 shares subject to vested options with an exercise price of $0.40 per share, 23,135 with an exercise price of $1.80 per share, 23,135 with an exercise price of $3.20 per share and 11,568 with an exercise price of $4.60 per share.

(7) The shares of all officers and directors combined include 728,109 shares subject to vested options with an exercise prices ranging from $0.40 to $5.90 per share as described above. Officers and directors are entitled to vote 273,069 of the shares listed.

CORPORATE GOVERNANCE

Corporate Code of Conduct

We have adopted a code of conduct for each of our employees to follow. Our Board and management insist on integrity, honesty and ethical behavior in the workplace.

Independence of the Board of Directors

The Company has affirmatively determined that no member of the Board (other than Mr. White) has a relationship which, in the opinion of the Company, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director of the Company. Based on this determination, the Board considers all of its members, except Mr. White, to be independent.

NAMED EXECUTIVE OFFICERS

The names, ages, and certain other information pertaining to the named executive officers of the Company listed in the Summary Compensation Table, and who were appointed by and serve at the discretion of the Board, are set forth below.

Name	Age	Company Position
Thomas B. White	56	President, Chief Executive Officer and Director
James H. Sweeney	54	Executive Vice President, Energy Management
William R. Marlow	45	General Counsel and Secretary
Charles L. Holland	70	Executive Vice President, Operations
W. Kevin Redmond	48	Chief Accounting Officer and Controller

Thomas B. White

Mr. White's biographical information is set forth above under "Proposal 1: Election of Directors—Nominees for the Board of Directors."

James H. Sweeney

Mr. Sweeney is our Executive Vice President, Energy Management. Mr. Sweeney has been with KGen since our formation and held the position of Senior Vice President, Energy Management with our predecessor from June 2004. Prior to joining KGen, Mr. Sweeney was employed by American Electric Power as Vice President—M&A and Divestitures from 2002 to 2004, and as Vice President—Latin America from 1998 to 2002. From 1987 to 1998, Mr. Sweeney held various senior positions at LG&E Energy (formerly Hadson & Ultrasystems) including Vice President—Latin American Development. Mr. Sweeney has a BS in electrical engineering from Worcester Polytechnic Institute and an ME in power systems from Rensselaer Polytechnic Institute.

William R. Marlow

Mr. Marlow has been our General Counsel and Secretary since our formation and held that position with our predecessor from March 2005. Mr. Marlow was an attorney at Bracewell & Patterson LLP from 1992 to 2005 where he left as a partner in the Real Estate, Energy, and Finance practice group. Mr. Marlow holds a BBA from the University of Houston and a JD from The University of Texas School of Law.

Charles L. Holland

Mr. Holland is our Executive Vice President, Operations. Mr. Holland has been with KGen since our formation and joined our predecessor as Vice President, Operations in October 2004. He was previously

employed with Duke Energy from 1995 to 2004. Initially in his career with Duke Energy he held the position of Vice President, Asia Pacific, and was responsible for the development of power projects in that region. Immediately prior to joining the Company he was a Managing Director in the North American merchant power business unit with responsibility for managing the plants that the Company acquired from Duke Energy. Prior to 1995, Mr. Holland held a number of officer-level positions with companies involved in the development, design, construction, and operation of power generating facilities. Mr. Holland holds a BS degree in nuclear engineering from North Carolina State University.

W. Kevin Redmond

Mr. Redmond has been our Chief Accounting Officer & Controller since our formation. Mr. Redmond joined our predecessor as Controller in March 2005. He has over 15 years of experience working with energy related companies. He began his career working as an internal auditor for a national printing company. He subsequently joined Ernst & Young, LLP, an international accounting firm, and worked primarily in the Energy group focusing on power/energy clients during his four-year tenure. Mr. Redmond later joined Tractebel Power, Inc. (aka Suez Energy Generation) and ultimately became Vice President, Controller during his eight-year tenure from 1996 to 2004. He also worked with a local consulting firm, Sirius Solutions, from 2004 to 2005, providing Sarbanes Oxley implementation assistance to energy companies. Mr. Redmond has a BS degree from Texas A&M University and an MBA from University of Houston. He is a licensed Certified Public Accountant.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth information regarding compensation paid to our President and Chief Executive Officer and the next four most highly compensated executive officers for the fiscal year 2012. The Summary Compensation Table and the Outstanding Equity Awards Table should be viewed together to best understand the short- and long-term incentive components of our compensation.

For each named executive officer, the amounts shown in each column represent compensation earned in or in respect of the fiscal years indicated. Please note that, except as otherwise noted, all amounts reflected below are the total compensation paid to such individuals during the fiscal years 2010, 2011 and 2012.

SUMMARY COMPENSATION TABLE

Named Executive Officer and Principal Position	Fiscal Year	Salary(1) ($)	Bonus(2) ($)	Non-Equity Incentive Plan Compensation(3) ($)	Restricted Stock Unit Awards(4) ($)	All Other Compensation(5) ($)	Total ($)
Thomas B. White, ...	2012	425,000	458,330	—		32,685	916,015
President, Chief Executive	2011	425,000	200,000	469,272		31,994	1,126,266
Officer and Director	2010	425,000	—	—	150,000	38,898	613,898
James H. Sweeney, ...	2012	318,000	318,000	—	—	26,791	662,791
Executive Vice President,	2011	318,000	213,060	298,457	181,525	27,039	1,038,081
Energy Management	2010	318,000	213,060	—		25,735	556,795
William R. Marlow, ...	2012	300,000	300,000	—		27,400	627,400
General Counsel and	2011	300,000	201,000	281,563	171,250	27,435	981,248
Secretary	2010	300,000	201,000	—		25,601	526,601
Charles L. Holland, ...	2012	300,000	300,000	—		28,305	628,305
Executive Vice President,	2011	300,000	201,000	281,563	171,250	28,028	981,841
Operations	2010	300,000	201,000	—		28,745	529,745
W. Kevin Redmond, ...	2012	232,000	232,000	—		31,583	495,583
Chief Accounting Officer	2011	232,000	155,440	217,742	132,431	31,908	769,521
and Controller	2010	232,000	155,440	—		29,972	417,412

(1) As of November 30, 2012, the annual base salaries for Messrs. White, Sweeney, Marlow, Holland and Redmond were $425,000, $318,000, $300,000, $300,000 and $232,000, respectively.

(2) In connection with closing of the sales of Hinds and Hot Spring facilities in November 2012, Messrs. White, Sweeney, Marlow, Holland and Redmond received additional annual bonus compensation for fiscal 2012 of $106,250, $79,500, $75,000, $75,000 and $58,000, respectively.

(3) Cash bonuses were paid to each of Messrs. White, Sweeney, Marlow, Holland and Redmond in connection with the closing on the sale of the Company's Sandersville and Murray power generation facilities as described under "Senior Employee Bonus and Retention Plan and Restricted Stock Unit Awards." In connection with the release in October 2012, from escrow of proceeds of sale of the Company's Murray power generation facility, Messrs. Sweeney, Marlow, Holland and Redmond received additional Murray sales bonuses of $32,436, $30,600, $30,600 and $23,664, respectively.

(4) The amount presented with respect to each executive represents the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718. On October 5, 2010, Mr. White was granted a performance bonus of 15,000 restricted stock units, all of which vested immediately and which were not transferable by Mr. White for one year. For each of Messrs. Sweeney, Marlow, Holland and Redmond, the Company granted to each executive on August 13, 2010, 26,500, 25,000, 25,000 and 19,333, restricted stock units, respectively, that vest in connection with the sale of the Company's power generation facilities as discussed under "Senior Employee Bonus and Retention Plan and Restricted Stock Unit Awards."

(5) See table below for further detail.

ALL OTHER COMPENSATION FOR FISCAL YEAR 2012

Named Executive Officer	Term Life and Disability Premiums Paid by Company ($)	Medical, Dental and Vision Premiums Paid by Company ($)	Health Savings Accounts Contributions ($)	401(k) Matching ($)	Total ($)
Thomas B. White	3,310	15,895	6,055	7,425	32,685
James H. Sweeney	2,732	10,579	6,055	7,425	26,791
William R. Marlow	2,897	11,023	6,055	7,425	27,400
Charles L. Holland	2,458	11,023	7,397(1)	7,425	28,305
W. Kevin Redmond	2,673	15,895	6,055	6,960	31,583

(1) For Mr. Holland, the 7,397 is paid to him in cash in lieu of an HSA deposit as he is not a participant in the health plan.

The following table shows the number and value of stock options (exercisable and not), and unvested restricted stock units held on June 30, 2012 by the named executive officers. All of the stock options were issued in connection with the Company's acquisition of KGen Partners LLC in February 2007. No new options were granted to employees of the Company in fiscal year 2012.

OUTSTANDING EQUITY AWARDS AS OF JUNE 30, 2012

	Option Awards				Stock Unit Awards
Named Executive Officer	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Options Exercise Price ($)	Options Expiration Date	Number of Units of Stock That Have Not Vested
Thomas B. White	—	—	—	—	—
James H. Sweeney(1) . . .	97,971	—	0.40	2/7/2017	10,600
	41,400	—	1.80	2/7/2017	
	41,400	—	3.20	2/7/2017	
	20,699	—	4.60	2/7/2017	
William R. Marlow(1) . . .	51,469	—	0.40	2/7/2017	10,000
	34,094	—	1.80	2/7/2017	
	34,094	—	3.20	2/7/2017	
	17,047	—	4.60	2/7/2017	
Charles L. Holland(1) . . .	58,143	—	0.40	2/7/2017	10,000
	25,814	—	1.80	2/7/2017	
	25,814	—	3.20	2/7/2017	
	12,907	—	4.60	2/7/2017	
W. Kevin Redmond(1) . . .	32,428	—	0.40	2/7/2017	7,733
	23,135	—	1.80	2/7/2017	
	23,135	—	3.20	2/7/2017	
	11,568	—	4.60	2/7/2017	

(1) Messrs. Sweeney, Marlow, Holland and Redmond received stock option grants in four tranches (grouped by exercise price), all of which have vested. In connection with the Board's declaration of a cash distribution of $5.00 per share to the Company's stockholders on or about June 24, 2011, the exercise price per share applicable to each of the stock options outstanding under the Company's 2006 Equity Incentive Plan was adjusted downwards by $5.00 per share in accordance with the terms of the Plan. Similarly, in connection with the Board's declaration of a cash distribution of $8.60 per share to the Company's stockholders on or about December 26, 2012, the exercise price per share applicable to each of the stock options was adjusted downwards by an additional $8.60 per share. The adjusted exercise prices are reflected herein. Messrs. Sweeney, Marlow, Holland and Redmond received grants of restricted stock units of 26,500, 25,000,

25,000 and 19,333 respectively. 15% were vested upon grant as a result of the completion of the sale of the Company's Sandersville power generation facility and 45% vested upon the sale of the Company's Murray power generation facility. In addition, 20% have recently vested upon the sale of the Company's Hinds power generation facility on November 30, 2012, and the remaining 20% have recently vested upon the sale of the Company's Hot Spring power generation facility on November 30, 2012.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR 2012

Named Executive Officer	Number of Shares Acquired on Vesting	Value Realized on Vesting ($)
Thomas B. White	6,667	56,328
James H. Sweeney	—	—
	—	—
William R. Marlow	—	—
	—	—
Charles L. Holland	—	—
	—	—
W. Kevin Redmond	—	—
	—	—

No stock options were exercised during fiscal year 2012.

SENIOR EMPLOYEE BONUS AND RETENTION PLAN AND RESTRICTED STOCK UNIT AWARDS

The Board adopted the KGen Power Management Inc. Employee Performance Bonus and Retention Plan for Senior Employees (the "Performance Bonus and Retention Plan") to reward the Company's senior employees in connection with sales of the Company's power generation facilities and upon a "change in control" (as defined in the Performance Bonus and Retention Plan) and to help retain services of those employees through the completion of any sale of a power generation facility or any change in control and during the transition of business following a change in control.

Each of the named executive officers (other than Mr. White) participated in the Performance Bonus and Retention Plan and, under the Plan, received a cash bonus upon the completion of a sale of each of the Company's power generation facilities. The amount of the bonus paid to each participant in connection with each sale of a power generation facility was determined based on a target bonus amount established for the participant and the sale price for that facility. Accordingly, (i) in connection with completion of the sale of the Company's Sandersville power generation facility in July 2010, Messrs. Sweeney, Marlow, Holland and Redmond received sale bonuses of $82,217, $77,563, $77,563 and $59,982, respectively; (ii) in connection with completion of the sale of the Company's Murray power generation facility in April 2011, Messrs. Sweeney, Marlow, Holland and Redmond received sale bonuses of $216,240, $204,000, $204,000 and $157,760, respectively; (iii) in connection with completion of the sale of the Company's Hinds power generation facility in November 2012, Messrs. Sweeney, Marlow, Holland and Redmond received sale bonuses of $181,384, $171,117, $171,117 and $132,330, respectively; (iv) in connection with completion of the sale of the Company's Hot Spring power generation facility in November 2012, Messrs. Sweeney, Marlow, Holland and Redmond received sale bonuses of $187,426, $176,817, $176,817 and $136,739, respectively; and (v) and in connection with the release in October 2012, from escrow of proceeds of sale of the Company's Murray power generation facility, Messrs. Sweeney, Marlow, Holland and Redmond received additional Murray sales bonuses of $32,436, $30,600, $30,600 and $23,664, respectively.

On August 13, 2010, the Board awarded restricted stock units pursuant to the KGen Power Corporation 2006 Equity Incentive Plan to each of the participants in the Performance Bonus and Retention Plan, (which includes each of the named executive officers other than Mr. White).

Messrs. Sweeney, Marlow, Holland and Redmond were awarded 26,500, 25,000, 25,000, and 19,333 restricted stock units, respectively. 15% of the restricted stock units awarded to each participant vested upon grant as a result of the completion of the sale of the Company's Sandersville power generation facility, 45% vested upon the sale of the Company's Murray power generation facility, 20% vested upon the sale of the Company's Hinds power generation facility, and 20% vested upon a sale of the Company's Hot Spring power generation facility. Upon vesting, each participant received a number of shares equal to the number of restricted stock units then being vested as well as cash in an amount equal to the aggregate amount of all dividends paid on that number of shares since the date of grant of the restricted stock units.

EMPLOYMENT AND SEVERANCE AGREEMENTS

Each named executive officer is a party to an employment agreement that generally provides for the terms of his employment with the Company and, among other things, entitles the executive officer to certain termination benefits in the event of his involuntary termination.

Under the employment agreements for the named executive officers, these severance benefits vary, depending on the circumstances of the termination (i.e. whether by reason of the executive officer's death or disability, termination by the Company without "cause" or by the executive officer for "good reason," and for some of the executives, whether such termination occurred within the period beginning six months prior to the announcement of an anticipated "change in control" and ending six months following a "change in control" (the "CIC Window Period"). The terms "cause," "good reason" and "change in control" are defined in the executive officer's employment agreement and summarized below). In the event of the executive's death or disability, only payments of amounts due to, or accrued by, the executive officer at the time of the event will be made, including generally, base salary up to the date of death or termination for disability, the amount of any awarded but unpaid bonus, unused vacation days and any deferred compensation (the "Accrued Payments"). In addition, the executive would receive all medical, dental and vision benefits maintained for such executive as of the termination date for 12 months from termination, and the immediate vesting of all unvested options (or restricted stock units in the case of Mr. White). In the event of the executive's termination by us without cause or his resignation for good reason, generally in addition to the payments and benefits described above, he would also be entitled to a cash payment equal to one times the executive's annual base salary either in a lump sum or in installments over one year. In the event that an executive officer is terminated as a result of the Company's decision not to renew the term of his employment agreement, the executive would generally receive the same benefits as upon a termination by us without cause or his resignation for good reason, except that while Mr. White would receive immediate vesting of his restricted stock units, all unvested options held by the other executives would be forfeited.

However, if any of Messrs. Sweeney, Marlow, Holland or Redmond is terminated by us without cause, or if he resigns for good reason within the CIC Window Period, severance benefits under the change in control provisions of the employment agreement are triggered, which include the following benefits:

- Accrued Payments;
- a cash payment equal to one times the executive's annual base salary either in a lump sum or in installments over one year;
- a lump sum cash payment equal to the aggregate target annual bonus for the fiscal year during which such termination of employment occurs (determined as if all applicable goals and targets had been satisfied in full), prorated to the date of such executive's termination; and
- all medical, dental and vision benefits maintained for such executive as of the termination date for 24 months from termination.
- Mr. White is also expected to receive a lump sum cash payment equal to his fiscal 2012 annual bonus, prorated to the date of his termination.

For all of the named executive officers, any outstanding stock options, restricted stock awards, phantom stock and other equity-based awards previously granted to such employee shall immediately vest upon a "change in control," subject to the Board's discretion to require the cancellation of such stock options in exchange for a cash payment.

The definition of "cause" generally means the executive:

- is indicted or charged with a felony or other crime involving fraud or dishonesty (if acquitted or indictment dismissed, termination would retroactively be treated as a termination without "cause");
- commits an act of dishonesty that causes or reasonably is expected to cause material harm to the Company or its subsidiaries;
- materially breaches his employment agreement, which breach is not cured within 30 days of notice;
- breaches any written policies or procedures of the Company or its subsidiaries, which breach causes or is expected to cause material harm to the Company or its subsidiaries; or
- engages in intentional misconduct that causes material harm to the Company or its subsidiaries.

The definition of "good reason" generally means the occurrence, without the executive's prior written consent, of any of the following (subject to notice being given by the executive and the failure by the Company to remedy the event within 30 days):

- a material reduction in the nature or scope of the executive's duties from those contained in his employment agreement;
- a reduction in his base salary; or
- the relocation of his primary office to a location more than sixty (60) miles away from the current Company offices.

Mr. White's employment agreement also provides that, without the executive's prior written consent, the following additional circumstances (subject to notice being given by the executive and the failure by the Company to remedy the event within 30 days), will qualify as "good reason":

- a material reduction in title (except that the failure of stockholders of the Company to reelect him as director shall not constitute good reason); and
- a material reduction in benefits other than generally due to a reduction in benefits which is generally applicable to all other senior executives of the Company.

The definition of a "change in control" in employment agreements of all the named executive officers generally includes:

- the acquisition by any individual, entity or group of beneficial ownership of 50% or more of the Company's then outstanding voting stock or of the ability to elect 50% or more of our directors, except in several instances;
- individuals who currently constitute the Board cease for any reason to constitute at least a majority of the Board, with several exceptions;
- the consummation of a merger, consolidation or reorganization, unless, in each case, the persons who beneficially own the common stock immediately before that transaction beneficially own, directly or indirectly, immediately after the transaction, at least 75% of the Company's common stock or the common stock of any other corporation or other entity resulting from or surviving the transaction in substantially the same proportion as their respective ownership of the Company's common stock immediately before that transaction;
- the stockholders approving a complete liquidation or dissolution of the Company; or
- a sale or other disposition of all or substantially all of the Company's assets. The sale of the Company's Hinds and Hot Spring facilities constituted a sale of substantially all of the Company's assets.

Mr. White's employment agreement provides for certain additional benefits.. In connection with entering into his employment agreement, the Company also granted Mr. White 20,000 restricted stock units. These restricted stock units vested in equal installments over three years. While Mr. White is not a participant in the Performance Bonus and Retention Plan as described above, Mr. White was entitled to receive cash incentive bonus payments under his employment agreement upon the completion of a sale of any of the Company's power generation facilities and upon a "sale of KGen" (as defined in his employment agreement to include a sale of substantially all of the assets of the Company) , provided that he remained employed by the Company at that time. The amount of the bonus payable to Mr. White in connection with a sale of a power generation facility was determined based on a target bonus amount established and the sale price for that facility. The amount of the bonus payable to Mr. White upon the "sale of KGen" is $1.25 million reduced by the aggregate amount of cash bonuses previously received by Mr. White in connection with facility sales. Accordingly, (i) in connection with completion of the sale of the Company's Sandersville power generation facility in July 2010, Mr. White received a sale bonus of $129,272, (ii) in connection with completion of the sale of the Company's Murray power generation facility in April 2011, Mr. White received a sale bonus of $340,000, and (iii) because the sale of the Company's Hinds and Hot Spring power generation facilities in November 2012 constituted a "sale of KGen (i.e., as sale of substantially all of the assets of the Company), Mr. White received a bonus of $780,728 ($1.25 million less the sale bonuses of $129,272 and $340,000 he previously received) upon completion of the sales of the Company's Hinds and Hot Spring power generation facilities.

DIRECTOR COMPENSATION

None of the current directors, with the exception of Mr. Hudson, as described below, receive compensation for their services as directors of the Company. The directors of the Company are, however, reimbursed for out-of-pocket travel expenses incurred in connection with their attendance at Board meetings and other activities on behalf of the Company. Due to his level of responsibility and time committed to Company matters, Mr. Hudson, as the Chairman of the Board, receives $200,000 annually in director fees as compensation for his services as Chairman. In addition, on May 28, 2008, the Board granted to Mr. Hudson stock options to purchase 100,000 shares of common stock of the Company at a price of $19.50 per share. These options vested on May 28, 2009. In connection with the Board's declaration of a cash distribution of $5.00 per share to the Company's stockholders on or about June 24, 2011, the exercise price per share applicable to these options was adjusted downwards by $5.00 to $14.50 per share. In connection with the Board's declaration of a cash distribution of $8.60 per share to the Company's stockholders on or about December 17, 2012, the exercise price per share applicable to these options was adjusted downwards by an additional $8.60 to $5.90 per share.

On August 13, 2010, Mr. Hudson was granted 58,334 restricted stock units. 8,750 of these restricted stock units vested upon grant as a result of the completion of the sale of the Company's Sandersville power generation facility, 26,250 vested upon the sale of the Company's Murray power generation facility, 11,667 have recently vested upon the sale of the Hinds power generation facility, and 11,667 have recently vested upon the sale of the Hot Spring power generation facility. In addition, all unvested restricted stock units would have vested upon a change in control. Upon vesting, Mr. Hudson received a number of shares equal to the number of restricted stock units then being vested as well as cash in an amount equal to the aggregate amount of all dividends paid on that number of shares since the date of grant of the restricted stock units.

On January 3, 2013, the Board approved the payment to Mr. Hudson of a cash bonus of $200,000 in recognition of his commitment and service to the Company in connection with the Company's sale transactions.

Beginning on April 1, 2013, Mr. Hudson will receive $100,000 annually in director fees as compensation for his services as Chairman.

AUDIT FEES AND ALL OTHER FEES

The aggregate fees billed for professional services rendered by the Company's independent registered public accountants, Deloitte & Touche LLP, for fiscal year 2012 was $427,000.

Audit Fees. The aggregate fees paid to Deloitte & Touche LLP for its audit of the Company's annual consolidated financial statements and internal controls over financial reporting, reviews of the quarterly consolidated financial statements included in quarterly reports, and annual reports, and consultation concerning financial accounting and reporting standards for fiscal years 2012 and 2011 was $427,000 and $334,500, respectively.

Tax Fees. The aggregate fees related to professional services rendered by Ernst & Young LLP for tax compliance fiscal years 2012 and 2011 was $322,340 and $279,100, respectively.

All Other Fees. No fees were billed by Deloitte & Touche LLP during fiscal years 2012 and 2011, in each case, other than fees for professional services reported above as audit fees. No fees were billed by Ernst & Young LLP, during fiscal years 2012 and 2011, in each case, other than fees for professional services reported above as tax fees.

OTHER STOCKHOLDER MATTERS

The Board knows of no other matters to be submitted at the Annual Meeting. If, however, any other business should properly come before the Annual Meeting, the persons named in the accompanying proxy will vote proxies as in their discretion they may deem appropriate, unless they are directed by proxy to do otherwise.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We provide annual and quarterly reports, proxy statements and other information to our stockholders and posted these documents and information on an Internet web site maintained by us at www.kgenpower.com. You may obtain free copies of these documents and other information by going to the "News and Financials" page of our Internet web site. The information posted on our website, other than copies of the documents listed below, is not part of this Proxy Statement, and therefore is not incorporated herein by reference.

We "incorporate by reference" into this Proxy Statement certain documents we have posted or will post on our website prior to the Annual Meeting. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this Proxy Statement. Later information that we post on our website and incorporate by reference into this Proxy Statement will update and supersede earlier information included in this Proxy Statement or incorporated by reference.

We incorporate by reference into this Proxy Statement the following documents posted on our website:

- Our Annual Report for the Fiscal Year Ended June 30, 2012;
- Our Quarterly Reports for our fiscal quarter ended September 30, 2012;
- Our proxy statements for our special meeting held on March 17, 2011 and our special meeting held on June 13, 2011; and
- Any other document that we post on our website after the date of this Proxy Statement to the extent we indicate in that document that it is incorporated by reference into this Proxy Statement.

Any person, including any beneficial owner of KGen common stock, to whom this Proxy Statement is delivered may request copies of any of the documents incorporated by reference into this document or other information concerning us, without charge, by written or telephonic request directed to:

KGen Power Corporation
1330 Post Oak Blvd, Suite 1500
Houston, Texas 77056
(713) 979-1990
Attention: William Marlow, Esq.

Please request documents by January 31, 2013 to ensure receipt before the Annual Meeting.

ANNEX A

PLAN OF DISSOLUTION OF

KGEN POWER CORPORATION

This Plan of Dissolution (the "*Plan*") is intended to constitute a plan of distribution under Section 281(b) of the General Corporation Law of the State of Delaware (the "*DGCL*") and accomplish the complete liquidation and dissolution of KGen Power Corporation, a Delaware corporation (the "*Company*"), in accordance with the DGCL.

1. **Effective Date**. The Board of Directors of the Company (the "*Board*") adopted this Plan on January 3, 2013. If stockholders holding a majority of the outstanding shares of common stock of the Company, par value $0.01 per share (the "*Common Stock*"), adopt the Plan, the Plan shall constitute the adopted Plan of the Company. The Plan shall be effective on such date as shall be determined by the Board of Directors of the Company (the date of the effectiveness of the Plan, the "*Effective Date*"). The Company shall file with the Secretary of State of the State of Delaware a certificate of dissolution in accordance with Section 275 of the DGCL effective as of the Effective Date.

2. **Dissolution Actions**. Prior to and after the date the Plan is adopted by the stockholders of the Company (the "*Adoption Date*"), the Company shall complete the following corporate actions, all of which may be accomplished by officers and agents duly appointed by the Board, except to the extent that any such action may be taken only by the Board in accordance with the DGCL:

(a) The Company shall collect, sell, exchange or otherwise dispose of all of the Company's remaining assets and rights in one or more transactions upon such terms and conditions as the Board or the Trustees (as defined below) in their absolute discretion, deems expedient and in the best interests of the Company and the stockholders and creditors of the Company, without any further vote or action by the Company's stockholders. The Board and the Trustees will not be required to obtain appraisals or other third party opinions as to the value of its assets in connection with the liquidation. In connection with any such sale, exchange and other disposition, the Board and the Trustees shall use commercially reasonable means to collect or make provision for the collection of any and all accounts receivable, debts and claims owing to the Company.

(b) To the extent of all available assets, the Company or the Liquidating Trust (as defined below) shall, as determined by the Board or the Trustees, (i) shall pay or make reasonable provision to pay all claims and obligations of the Company, including all contingent, conditional or unmatured contractual claims known to the Company or the Liquidating Trust, (ii) shall make such provision as will be reasonably likely to be sufficient to provide compensation for any claim against the Company which is the subject of a pending action, suit or proceeding to which the Company is a party and (iii) shall make such provision as will be reasonably likely to be sufficient to provide compensation for claims that have not been made known to the Company or the Liquidating Trust or that have not arisen but that, based on the facts known to the Company or the Liquidating Trust are likely to arise or to become known to the Company or the Liquidating Trust within ten years of the Effective Date, all in accordance with Section 281(b) of the DGCL. If and to the extent deemed necessary, appropriate or desirable by the Board or the Trustees to comply with the foregoing the Company or the Liquidating Trust shall establish and set aside a reasonable amount of cash and/or property (the "*Contingency Reserve*") to satisfy claims against and unknown, unmatured or contingent liabilities and obligations of the Company, including, without limitation, tax obligations, and all expenses of the sale of the Company's remaining assets, of the collection and defense of the Company's assets and rights, and the liquidation and dissolution provided for in this Plan. Any amount withheld in the Contingency Reserve will be deducted pro rata from the net assets distributable to the Company's stockholders and held until such liabilities and obligations are settled or otherwise determined.

(c) Such claims shall be paid in full and any such provision for payment made shall be made in full if there are sufficient assets. If there are insufficient assets, such claims and obligations shall be paid or provided for according to their priority and, among claims of equal priority, ratably to the extent of assets legally available therefor.

(d) Subject to the approval of any such distribution by the Board or the Trustees, and subject to the satisfaction of claims and liabilities pursuant to *Section 2(b)* above, the Liquidating Trust shall distribute pro rata to holders of beneficial interests in the Liquidating Trust all available cash, including the cash proceeds of any sale, exchange or disposition, except such cash, property or assets as are required for paying or making reasonable provision for the liabilities and obligations of the Company. Such distribution may occur in a series of distributions and shall be in cash, in such amounts, and at such time or times, as the Board or the Trustees, in their absolute discretion, may determine.

3. **Liquidating Trust**. Promptly after the Effective Date, on or about April 2014, in furtherance of the liquidation and distribution of the Company's assets to the stockholders, the Company shall transfer to one or more liquidating trustees (the "*Trustees*"), for the benefit of its stockholders as of close of business on the Effective Date, under a liquidating trust (the "*Liquidating Trust*") in which such stockholders will receive a distribution of beneficial interests, all remaining cash and other assets of the Company (including the right to receive all sale proceeds paid to the Company out of the escrows established pursuant to the Asset Purchase Agreement, dated April 28, 2011, by and between KGen Hinds LLC, the Company (with respect to certain provisions thereof) and Entergy Mississippi Inc. and the Asset Purchase Agreement, dated April 28, 2011, by and between KGen Hot Spring LLC, the Company (with respect to certain provisions thereof) and Entergy Arkansas Inc.). The Liquidating Trust shall assume, and be responsible for, all of the Company's unsatisfied liabilities and obligations, including any unknown or contingent liabilities of the Company. The assets of the Liquidating Trust will be held in trust for the beneficiaries thereof. The Board is hereby authorized to appoint Daniel T. Hudson, W. Kevin Redmond, and Thomas B. White (or any replacements, who may be individuals, corporations, partnerships or other persons, or any combination thereof, including, without limitation, any one or more current or former officers, directors, employees, agents or representatives of the Company), to act as the initial Trustees for the benefit of the beneficiary of the Liquidating Trust and to receive any assets of the Company. Any Trustees appointed as provided in the preceding sentence shall succeed to all right, title and interest of the Company of any kind and character with respect to such transferred assets and, to the extent of the assets so transferred and solely in their capacity as Trustees, shall assume all of the liabilities and obligations of the Company, including, without limitation, any unsatisfied claims and unascertained or contingent liabilities. Approval of the dissolution of the Company pursuant to this Plan by the holders of a majority of the outstanding shares of Common Stock shall constitute the approval of the stockholders of any such appointment, any such liquidating trust agreement and any transfer of assets by the Company to the Liquidating Trust, as their act and as a part hereof as if herein written.

4. **Receipt of Distributions**. The distribution to the Company's stockholders of beneficial interests in the Liquidating Trust pursuant to *Section 3* hereof shall be in complete redemption and cancellation of all of the outstanding shares of Common Stock. As a condition to receipt of the distribution of beneficial interests in the Liquidating Trust or any distribution to the holders of beneficial interests in the Liquidating Trust, the Board or the Trustees, in their absolute discretion, may require the stockholders to (i) surrender their certificates evidencing the Common Stock to the Company, the Liquidating Trust or their respective agents for recording of such distributions thereon or (ii) furnish the Company or the Liquidating Trust with evidence satisfactory to the Board or the Trustees of the loss, theft or destruction of their certificates evidencing the Common Stock, as applicable, together with such surety bond or other security or indemnity as may be required by and satisfactory to the Board or the Trustees.

5. **The Closing of Books**. As of the close of business on the Effective Date, the Company shall close its stock transfer books and discontinue recording transfers of shares of Common Stock, at which time all

shares of Common Stock will not be assignable or transferable on the books of the Company, unless the stock transfer books of the Company are reopened.

6. **Cessation of Business Activities**. After the Effective Date, the Company will not engage in any trade or business activities except for the purpose of winding up its business and affairs, preserving the value of its assets, discharging or making reasonable provision for the payment of all of the Company's liabilities, and distributing its remaining assets in accordance with this Plan.

7. **Conduct of the Company Following Approval of the Plan**. After the Adoption Date, the officers of the Company and the Trustees shall, at such time as any officer of the Company who is duly appointed by the Board or any Trustee deems necessary, appropriate or desirable, obtain any certificates required from the Delaware tax authorities or any other governmental authority.

8. **Authorization**. The Board is hereby authorized, without further action by the stockholders, to do and perform or cause the officers or agents of the Company, or the Trustees, subject to approval of the Board, to do and perform, any and all acts, and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates and other documents of every kind which are deemed necessary, appropriate or desirable, in the absolute discretion of the Board, to implement this Plan and the transaction contemplated hereby, including, without limiting the foregoing, all filings or acts required by any state or federal law or regulation to wind up its affairs.

9. **Abandonment or Modification of the Plan**. Notwithstanding authorization or consent to the Plan and the transactions contemplated hereby by the Company's stockholders, if there are changes in the facts and circumstances relating to this Plan such that in the judgment of the Board, the stockholders as of the record date for the annual meeting at which this Plan was approved by the stockholders would not have approved this Plan had they been aware of the changed facts and circumstances, the Board may abandon the Plan without further stockholder action or approval, to the extent permitted by applicable law. The Board may also amend or modify this Plan, to the extent permitted by applicable law, without the necessity of any stockholder action or approval.

10. **Compensation for Services**. In connection with and for the purposes of implementing and assuring completion of this Plan, the Company and the Liquidating Trust may compensate its officers, directors, employee, representatives and agents, or any of them, for services rendered in connection with the implementation of the Plan and/or retention and severance benefits deemed necessary by the Board to further implement the Plan.

11. **Expenses of Dissolution**. In connection with and for the purposes of implementing and assuring completion of this Plan, the Company may, in the absolute discretion of the Board, pay any brokerage, agency, professional and other fees and expenses of persons rendering services to the Company or the Liquidating Trust in connection with the collection, sale, exchange or other disposition of the Company's property and assets and the implementation of this Plan.

12. **Indemnification**. The Company shall continue to indemnify its officers, directors, employees, agents and representatives in accordance with its restated certificate of incorporation, its amended and restated bylaws and any contractual arrangements, and such indemnification shall apply to actions or omission of such person in connection with this Plan and the winding up of the affairs of the Company. The Company's obligation to indemnify such persons may also be satisfied out of the assets of the Liquidating Trust. The Liquidating Trust shall be authorized to indemnify the Trustees and any employees, agents or representatives of the Liquidating Trust for actions taken in connection with the operations of the Liquidating Trust. Any claims arising in respect of such indemnification will be satisfied out of the assets of the Liquidating Trust. The Board and the Liquidating Trustees, in their absolute discretion, are authorized to obtain and maintain insurance as may be necessary or appropriate to cover the Company's and the Liquidating Trust's obligations hereunder.

13. **Absence of Appraisal Rights**. Under Delaware law, the Company's stockholders are not entitled to appraisal rights for their shares of capital stock in connection with the transactions contemplated by the Plan.

14. **Governing Law**. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware.