



February 14, 2014

To the Stockholders of KGen Power Corporation,

As we have previously indicated, in order to maximize the amount of cash available for distributions to our stockholders, we will no longer prepare full quarterly and annual reports. Instead, we intend to post to our website (www.kgenpower.com) the following:

- within 45 days after each fiscal quarter ending before the effective date of the dissolution of the Company (other than the last fiscal quarter of our fiscal year), summary unaudited consolidated financial statements for that fiscal quarter, without footnotes; and
- within 90 days after the effective date of the dissolution of the Company, audited consolidated financial statements for the period from July 1, 2013 to the effective date of the dissolution.

In that connection, attached please find our unaudited financial statements for the Company as of December 31, 2013 and for the fiscal quarter then ended.

As we continue to work through the wind down process, we anticipate that our estimates of the total expenses to complete the dissolution of the company may change. 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 the 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 the Company or the liquidating trust, and contingency reserves that may be established by the board of directors of the Company or the trustees of the liquidating trust excepted to be established in connection with the dissolution of the Company.

If you have any questions about the attached financial statements you may contact the Company at (713) 979-1990.

The Board of KGen Power Corporation

Daniel T. Hudson (Chairman)

Thomas B. White

KGen Power Corporation

Consolidated Statement of Net Assets as of December 31, 2013 and June 30, 2013

(000's)

	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Assets		
Cash and cash equivalents	\$ 6,738	\$ 10,694
Restricted cash and cash equivalents	-	-
Restricted cash in escrow	46,000	68,000
Accounts receivable	-	-
Prepaid expenses and other current assets	1,382	1,382
Assets held for sale	-	-
Property, plant, and equipment	-	-
Less: accumulated depreciation	-	-
Net property, plant, and equipment	-	-
Deferred tax assets	-	-
Total assets	<u>\$ 54,120</u>	<u>\$ 80,076</u>
Liabilities		
Accrued tax liabilities	\$ 6,902	\$ 6,902
Liabilities associated with assets held for sale	-	-
Reserve for estimated costs during liquidation	5,594	6,250
Other liabilities	-	-
Total Liabilities	<u>\$ 12,496</u>	<u>\$ 13,152</u>
Net Assets in Liquidation	<u>\$ 41,624</u>	<u>\$ 66,924</u>

KGen Power Corporation

Consolidated Statement of Changes in Net Assets in Liquidation for the Three-Month Period Ending December 31, 2013 (Liquidation Basis beginning February 1, 2013) and the Three-Month Period ending December 31, 2012 (Going Concern Basis)

(000's)

	For the Three Months Ended December 31, 2013	For the Three Months Ended December 31, 2012
Revenues:		
Energy sales	\$ -	\$ (8)
Capacity sales	-	-
Other revenue	-	-
Total revenues	-	(8)
Operating expenses:		
Cost of fuel	-	(32)
Operating and maintenance	-	3,348
Gas transportation	-	1,606
Selling, general, and administrative	-	2,702
Depreciation	-	45
Auxiliary power	-	481
Insurance	-	348
Total operating expenses	-	8,498
Operating (loss)	-	(8,506)
Other income (expenses):		
Net gain (loss) on sale of assets	-	209,640
Taxes, other than income taxes	-	(893)
Net interest income (expense)	-	-
Other	-	40
Total other income (expenses)	-	208,787
Net income (loss) before taxes	-	200,281
Income tax (expense) benefit	-	(82,100)
Net income (loss)	\$ -	\$ 118,181
Net Assets, beginning of period	66,924	
Adjustments to liquidation basis	(108)	
Liquidating distributions	(25,192)	
Net Assets, end of period	\$ 41,624	