



May 14, 2013

To the Stockholders of KGen Power Corporation,

On February 7, 2013, at our annual meeting of stockholders, our stockholders approved the proposed dissolution of KGen Power Corporation (the Company). As we indicated in our annual meeting proxy statement, 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; and
- within 90 days after the end of our June 30, 2013 fiscal year and within 90 days after the effective date of the dissolution of the Company, audited consolidated financial statements for that fiscal year (or the period from the end of the prior fiscal year until the effective date of the dissolution).

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

As we indicated in our proxy statement, we have omitted footnotes from the unaudited financial information, in order to limit the expenses we will incur in connection with the preparation of our financial statements.

Please note that the following changes occurred relating to the company since December 31, 2012:

- The company has executed an assignment agreement relating to the long term lease agreement for our Houston office space, as well as the sublease agreement related to a portion of that space with our landlord and a third party, and as of April 1, 2013 we are no longer financially or contractually responsible for the office space. Our new corporate address is 9337 Spring Cypress Road, #214, Spring, TX 77379. This accomplishment resulted in a reduction to our expected wind down expenses of approximately \$1,500,000.
- As we indicated in our proxy statement under the terms of our severance agreements with our departed employees, we repurchased their shares and paid a cancellation amount for their in-the-money options. As of the date of this letter, the company has 55.938 million outstanding shares on which liquidation distributions will be paid.

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. We will provide modified guidance

as to expected distribution amounts to our shareholders after our fiscal year audited financials are completed and reported in the September 30, 2013 timeframe.

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 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.

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

Report to Shareholders
for
Quarter Ended March 31, 2013

9337 Spring Cypress Rd. #214
Spring, Texas 77379

Investor Relations
713-979-1990

KGen Power Corporation

Consolidated Statement of Net Assets as of March 31, 2013 (Liquidation Basis beginning February 1, 2013) and June 30, 2012 (Going-Concern Basis)

(000's)

	March 31, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,360	\$ 69,174
Restricted cash and cash equivalents	-	43,384
Restricted cash in escrow	22,000	79,694
Accounts receivable	-	12
Prepaid expenses and other current assets	601	237
Assets held for sale	-	260,292
Total current assets	50,961	452,793
Property, plant, and equipment	-	3,488
Less: accumulated depreciation	-	2,936
Net property, plant, and equipment	-	552
Restricted cash in escrow	46,000	-
Deferred tax assets	-	10,354
Total assets	\$ 96,961	\$ 463,699
Liabilities		
Current liabilities:		
Accrued tax liabilities	\$ 24,153	\$ 1,494
Liabilities associated with assets held for sale	-	19,163
Reserve for estimated costs during liquidation	8,041	-
Total current liabilities	32,194	20,657
Deferred tax liabilities	-	-
Other noncurrent liabilities	-	6
Total Liabilities	\$ 32,194	\$ 20,663
Net Assets in Liquidation	\$ 64,767	\$ 443,036

KGen Power Corporation

Consolidated Statement of Changes in Net Assets in Liquidation for the One-Month Period Ending
January 31, 2013 (Going Concern Basis) and the Two-Month Period Ending March 31, 2013
(Liquidation Basis beginning February 1, 2013)

(000's)

	For the One Month Ended January 31, 2013	For the Two Months Ended March 31, 2013	For the Three Months Ended March 31, 2012
Revenues:			
Energy sales	\$ -	\$ -	\$ 515
Capacity sales	-	-	-
Other revenue	-	-	527
Total revenues	-	-	1,042
Operating expenses:			
Cost of fuel	-	-	427
Operating and maintenance	-	-	2,154
Gas transportation	-	-	2,409
Selling, general, and administrative	836	-	2,424
Depreciation	15	-	88
Auxiliary power	-	-	752
Insurance	33	-	453
Total operating expenses	884	-	8,707
Operating (loss) income	(884)	-	(7,665)
Other income (expenses):			
Net gain (loss) on sale of assets	(137)	-	-
Taxes, other than income taxes	(5)	-	(1,198)
Net interest income (expense)	10	-	-
Other	-	-	(69)
Total other income (expenses)	(132)	-	(1,267)
Net income (loss) before taxes	(1,016)	-	(8,932)
Income tax (expense) benefit	-	-	3,461
Net income (loss)	\$ (1,016)	\$ -	\$ (5,471)
Net Assets, beginning of period		75,574	
Adjustments to liquidation basis		(10,582)	
Liquidating distribution to shareholders		-	
RSU's converted to common stock		(225)	
Net Assets, end of period		\$ 64,767	

KGen Power Corporation

Consolidated Statement of Changes in Net Assets in Liquidation for the Seven-Month Period
Ending January 31, 2013 (Going Concern Basis) and the Two-Month Period Ending March
31, 2013 (Liquidation Basis beginning February 1, 2013)

(000's)

	For the Seven Months Ended January 31, 2013	For the Two Months Ended March 31, 2013	For the Nine Months Ended March 31, 2012
Revenues:			
Energy sales	\$ 17,981	\$ -	\$ 39,781
Capacity sales	5,684	-	6,837
Other revenue	-	-	527
Total revenues	23,665	-	47,145
Operating expenses:			
Cost of fuel	14,982	-	34,706
Operating and maintenance	5,794	-	9,647
Gas transportation	4,675	-	7,889
Selling, general, and administrative	5,680	-	7,148
Depreciation	107	-	394
Auxiliary power	1,143	-	2,343
Insurance	875	-	1,405
Total operating expenses	33,256	-	63,532
Operating (loss) income	(9,591)	-	(16,387)
Other income (expenses):			
Net gain (loss) on sale of assets	209,503	-	-
Taxes, other than income taxes	(2,369)	-	(3,212)
Net interest income (expense)	(10)	-	-
Other	-	-	(172)
Total other income (expenses)	207,124	-	(3,384)
Net income (loss) before taxes	197,533	-	(19,771)
Income tax (expense) benefit	(81,066)	-	7,761
Net income (loss)	\$ 116,467	\$ -	\$ (12,010)
Net Assets, beginning of period		75,574	
Adjustments to liquidation basis		(10,582)	
Liquidating distribution to shareholders		-	
RSU's converted to common stock		(225)	
Net Assets, end of period		\$ 64,767	