K⚡Gen Power

April 29, 2016

To the Holders of Beneficial Interests in KGen Power Liquidating Trust,

Attached please find the Trust's audited financial statements for the year ended December 31, 2015.

The attached financial statements reflect our latest estimates of the total expenses we anticipate will be incurred to complete the liquidation of the Trust's assets. As we continue to work through the wind down process, our estimates of the total expenses to complete the liquidation may change.

We expect that the final escrow amount of $22.2 million will be released to us at the end of May of 2016 in accordance with the terms of the transaction agreements previously entered into by KGen Power Corporation ("KGen"), predecessor of the Trust. As such, we expect the Trust will make a final distribution to the holders of the Trust's beneficial interests by the end of calendar year 2016.

The amount of cash ultimately distributed to holders of the Trust's beneficial interests, and the timing of any distributions, will depend on the extent, if any, to which the Trust becomes subject to claims for indemnification under the Trust's transaction agreements and the amount of escrowed funds under those agreements ultimately released. In addition, the amount of cash ultimately distributed to the beneficial interest holders 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 Trust and contingency reserves that may be established by the trustees of the Trust. We expect to provide beneficial interest holders with further guidance as to that future distribution but we currently anticipate that a final distribution of $0.45 per unit of beneficial interest will be made in 2016.

As part of the process of dissolving KGen, all of KGen's cash and other assets, including the rights to the funds escrowed under its transaction agreements, were transferred to the Trust on June 30, 2014. The former stockholders of KGen will generally be treated for tax purposes as having received their pro rata share of the fair market value of the property transferred from KGen to the Trust, reduced by the amount of any known liabilities assumed by the Trust, including anticipated liquidation expenses. Stockholders of KGen received one unit of beneficial interests in the Trust, which is generally not transferable, for each share of KGen that they owned. Based on an evaluation done by a consultant experienced in the valuation of assets in the power generation industry, as of July 1, 2014, the fair market value of one unit of beneficial interest in the Trust was $0.38. The amount was reflected in the Form 1099 which was distributed to the former shareholders of KGen in 2015.

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

The Trustees of KGen Power Liquidating Trust
Daniel T. Hudson
Thomas B. White
W. Kevin Redmond

KGEN POWER LIQUIDATING TRUST

Audited Financial Statements

For

The Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Trustees of and Holders of Beneficial Interest in
KGen Power Liquidating Trust
Houston, Texas

We have audited the accompanying financial statements of KGen Power Liquidating Trust (the "Trust"), which comprise the statement of net assets as of December 31, 2015 and changes in net assets for the year-ended December 31, 2015 (liquidation basis), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of KGen Power Liquidating Trust as of December 31, 2015, and the changes in net assets for the year-ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America applied on the basis described in Note 1 to the financial statements.

Emphasis of Matter Regarding Liquidation Basis of Accounting

As discussed in Note 1 to the financial statements, the Trust's financial statements are prepared using the liquidation basis of accounting. Our opinion is not modified with respect to this matter.

Deloitte + Touche LLP

April 29, 2016

Statements of Net Assets and Changes in Net Assets for the Year Ended December 31, 2015 (Liquidation Basis)

(in thousands)

		December 31, 2015
Assets		
Cash	$	5,636
Restricted cash in escrow		22,200
Total assets	$	27,836
Liabilities		
Reserve for estimated costs during liquidation		2,443
Total Liabilities	$	2,443
Net Assets in Liquidation	$	25,393
Net Assets, beginning of period		25,387
Capital Contributions		-
Adjustments to liquidation basis		6
Net Assets, end of period	$	25,393

The accompanying notes are an integral part of these financial statements.

KGen Power Liquidating Trust

Notes to Audited Financial Statements

1. Nature of Business and Significant Accounting Policies

Background—KGen Power Liquidating Trust (the "Trust") was formed on May 21, 2014 for the sole purpose of winding down the business of its predecessor entity, KGen Power Corporation (the "Corporation"). The final dissolution of the Corporation became effective as of the close of business on June 30, 2014, the "Dissolution Date". The Corporation transferred cash and other remaining assets of the Corporation, including the Corporation's right to receive cash released from escrow under the Corporation's transaction agreements to the Trust for the benefit of the Corporation's stockholders of record as of the close of business on the Dissolution Date. In addition, the Trust assumed, and became responsible for, all of the Corporation's unsatisfied liabilities and obligations, including any future or contingent liabilities of the Corporation. The Corporation's stockholders of record as of the close of business on the Dissolution Date received one unit of beneficial interests in the Trust for each share of common stock of the Corporation that they owned.

The beneficial interests in the Trust are generally not transferable by the holders thereof. All cash transferred by the Corporation to the Trust and the net proceeds to the Trust of funds released from escrow after the Dissolution Date (and the proceeds received by the Trust from the disposition of any non-cash assets it receives) will be distributed by the Trust to the holders of beneficial interests in the Trust, subject to wind down expenses and reserves for liabilities of the Trust.

The Trust's activities are limited to collecting and realizing the value of its remaining assets; making tax and regulatory filings; providing financial reports to the beneficial interest holders; winding down the Trust's remaining activities and making liquidating distributions to the beneficial interest holders.

The Trust's assets consist of cash and escrowed cash related to the Corporation's previous asset sales. The Trust believes that its current cash position and the cash expected to be released to it from escrow will be sufficient to meet its current obligations, to fund wind down expenses, and to allow the Trust to pay liquidating distributions (See Note 4).

Liquidation Basis of Accounting—the Trust's financial statements are prepared using the liquidation basis of accounting. This basis of accounting is considered appropriate when, among other things, liquidation of an entity is probable and the net realizable values of assets are reasonably determinable. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts. Management was required to make significant estimates and judgments to record assets at estimated net realizable value and liabilities at estimated settlement amounts. The estimates are subject to change based upon the timing of escrow funds being released and potential indemnity claims against the escrow accounts.

The Trust will continue to incur costs and receive income on its cash and restricted cash in escrow throughout the liquidation period. On a regular basis management makes assumptions, judgments and estimates that can have a significant impact on reported net assets in liquidation based on the most recent information available to us, and when necessary makes changes accordingly. Actual costs and income may differ from estimates, which might reduce net assets available in liquidation to be ultimately distributed to the beneficial interest holders.

Use of Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates could differ from actual results.

Restricted Cash – The Trust has restricted cash in escrow under the terms of the transaction agreement related to the sale of the Hinds and Hot Springs facilities

KGen Power Liquidating Trust

Notes to Audited Financial Statements

1. Nature of Business and Significant Accounting Policies (continued)

Accrued Cost of Liquidation—The Trust is required to make significant estimates and exercise judgment in determining accrued liquidation costs. The Trust reviewed all expected expenses and contractual commitments such as consulting fees and related expenses, lease termination costs, professional fees, and other outside services to determine the estimated costs to be incurred during the liquidation period. Accordingly, estimated expenses anticipated to occur through the final wind down of the trust estimated to occur by December 31, 2016. The accrued costs expected to be incurred in liquidation and payments since January 1, 2015 made related to the accrued liquidation cost are as follows (in thousands of dollars):

Accrued Liquidation Cost	Balance at January 1, 2015	Adjustments to Reserve	Payments from Reserve	Balance at December 31, 2015
Management Cost	1,587	263	(525)	1,325
Insurance	278	(9)	(34)	235
Technical Consulting	100	-	-	100
Professional Services	412	(116)	(155)	141
Operations	400	-	-	400
Other	499	(144)	(113)	242
Total	3,276	(6)	(827)	2,443

2. Commitments and Contingencies

Litigation—The Trust may be a party to various legal and regulatory actions arising in the wind down of its business. Matters that are probable of unfavorable outcome to the Trust and which can be reasonably estimated are accrued. As of December 31, 2015 no such matters existed.

3. Income Taxes

KGen Power Liquidating Trust, a liquidating trust as described in Treasury Regulation 301.7701-4(d), is treated as a grantor trust for federal income tax purposes. A grantor trusts' income and deductions are reported to each grantor and reflected on such grantor's income tax return. A grantor trust does not pay federal income tax. Form 1041, U.S. Income Tax Return for Estates and Trusts, was filed on March 31, 2016 to report the Trust's income and expenses for the year January 1, 2015 through December 31, 2015. During the year, the Trust earned interest on its restricted escrow funds and paid liquidation expenses, both of which had been accrued by KGen Power Corporation prior to its liquidation.

4. Liquidating Distributions

The Trust has made no liquidating distributions during the period January 1, 2015 through December 31, 2015.

The Trust expects it will make a distribution subsequent to the release of funds from escrow in May 2016. The amount of cash ultimately distributed, and the timing of those distributions, will depend on the extent, if any, to which the Trust becomes subject to claims for indemnification and the amount of escrowed funds ultimately released to the Trust. 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 Trust and contingency reserves that may be established by the trustees of the Trust.

5. Related Parties

The Trust has contracted with certain Trustees to provided management services amounting to $525,000 in 2015.

6. Subsequent Events

Subsequent events were analyzed and considered through April 29, 2016, the date this report was available for issuance.