

November 8, 2004

NOTICE TO THE HOLDERS OF (I) 7.459% PASS THROUGH CERTIFICATES, SERIES 1998-A AND (II) 8.270% PASS THROUGH CERTIFICATES, SERIES 1998-B
(COLLECTIVELY, "THE CERTIFICATES") OF:
A) THE STATUS OF CERTAIN LITIGATION AFFECTING THE CERTIFICATEHOLDERS;
B) THE STATUS OF THE BANKRUPTCY PROCEEDING; AND
C) THE PROPOSED REFINANCING OF THE CREDIT FACILITY BETWEEN HSBC AND CERTAIN CERTIFICATEHOLDERS
CUSIP NOS. 91730AAA1, 91730AAAC7

NOTE: THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS, AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE RE-TRANSMITTAL TO BENEFICIAL OWNERS OF THE SECURITIES IN A TIMELY MANNER.

Dear Certificateholder:

This notice (this "Notice") is given by HSBC Bank USA, National Association ("HSBC" or the "Successor Trustee"), as the Successor Pass Through Trustee in connection with those Pass Through Trust Agreements A and B dated as of November 23, 1998 (the "Pass Through Trust Agreements"), between USGen New England, Inc. (the "Company") and JPMorgan Chase Bank ("JPMorgan," formerly The Chase Manhattan Bank and the original Pass Through Trustee), to the holders of the Certificates (the "Certificateholders"), and the Successor Trustee as the Successor Lease Indenture Trustee under those Indentures of Trust, Mortgage and Security Agreement dated as of November 23, 1998 (the "Indentures"), between Bear Swamp Generating Trust No. 1 and No. 2 and JPMorgan (the original Lease Indenture Trustee). All capitalized terms used but not defined in this Notice shall have the meanings assigned to them in the Pass Through Trust Agreements and/or the Indentures. This Notice is to notify you of certain significant matters affecting the Certificates.¹

The Company's Chapter 11 Filing

As the Successor Trustee previously notified you, on July 8, 2003 (the "Petition Date"), the Company filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland, Greenbelt Division (the "Bankruptcy Court"). The main case number is 03-30465.

¹ This Notice is intended to provide a summary of certain matters, including ongoing litigation in the Bankruptcy Court. This notice is not intended to constitute a full or complete recitation of the Successor Trustee's legal positions in such litigation, or otherwise, and is qualified in its entirety by the record in any such litigation.

Unofficial Committee of Certificateholders

The Successor Trustee has continued coordinating with members of an unofficial committee (the “Unofficial Committee”) of Certificateholders currently comprised of Genworth Financial, Inc., Intermarket Corporation, Knights of Columbus, Lincoln National Life Insurance Company, Provident Investment Management, LLC, and Sun Life Assurance Company of Canada.

Events of Default

As the Successor Trustee has previously notified you, several Lease Events of Default have occurred and are continuing under the Operative Documents, including, without limitation, the chapter 11 filing of the Company on July 8, 2003 and the failure of the Company to make a payment of Rent or Periodic Lease Rent due on July 2, 2003 under Sections 3.3 and 16(a) of the Facility Leases, which in turn have caused Lease Indenture Events of Default under Section 4.1 of the Lease Indentures and Events of Default under Section 6.1 of the Pass Through Trust Agreements, which events of default are continuing.

On October 3, 2003, the Successor Trustee delivered to the Owner Trusts and the Owner Participants notices of the exercise of remedies pursuant to Sections 4.2(b) and 5.1 of each of the Indentures. Additionally, on November 3, 2004, the Successor Trustee delivered a notice of acceleration to the Owners and the Owner Participants pursuant to Section 4.2(a) of the Lease Indentures and declared all principal and interest on the Notes due immediately.

The New Operating Agreements

On August 29, 2003, the Company filed *Debtor’s Motion for Order Pursuant to 11 U.S.C. §§ 105 and 365(a) Authorizing the Debtor to Reject Certain Executory Contracts Between the Debtor and Bear Swamp Generating Trust No. 1 LLC and the Debtor and Bear Swamp Generating Trust No. 2 LLC* (the “Rejection Motion”), in which the Company sought rejection of certain executory contracts between the Company and Bear Swamp I LLC and Bear Swamp II LLC, including the Participation Agreements, the Facility Lease Agreements and the Site Sublease Agreements. In accordance with a direction from Certificateholders holding majorities in principal amount outstanding of both series of Certificates, the Successor Trustee entered into an agreement, pursuant to which the Facility Lease Agreements, Participation Agreements and Site Sublease Agreements were rejected and/or abandoned, as of September 30, 2003, subject to the reservation by each of the Company, the Successor Trustee, the Owner entities and the Company creditors’ committee in the bankruptcy of its respective rights to assert and/or to oppose any claim in respect of, *inter alia*, the termination of such contracts. Such agreement is available at the Bear Swamp Extranet, as described below.

Additionally, in accordance with such direction, the parties entered into new short-term Operating Agreements, pursuant to which the Company agreed to operate the Bear Swamp Facility until the earlier of (x) termination of the Operating Agreements by the Company (upon 120 days’ prior notice) or the Successor Trustee (upon 30 days’ prior notice) or (y) September 30, 2004. On September 23, 2004, an extension of the Operating Agreements was approved by the Bankruptcy Court, extending the term of each of the Operating Agreements to the earlier of

(x) termination of the Operating Agreements by the Company (upon 120 days' prior notice) or the Successor Trustee (upon 30 days' prior notice) or (y) March 31, 2005.

The Company's Complaint for Declaratory Judgment

As the Successor Trustee has previously informed you, on January 2, 2003, the Company filed a complaint (the "Complaint") against the Successor Trustee and Bear Swamp Generating Trust No. 1 LLC, Bear Swamp Generating Trust No. 2 LLC, Bear Swamp I LLC and Bear Swamp II LLC (collectively, the "Bear Swamp Entities") in its Chapter 11 case (the "Bear Swamp Adversary"). The Complaint sought judgments from the Bankruptcy Court that the Facility Site Leases and Site Subleases were true leases of real property, that damages claims arising in respect of such contracts were subject to a cap and that damages claims arising in respect of the Participation Agreements and Tax Indemnity Agreements were also subject to such a cap.

Upon the recommendation of Ernst and Young Corporate Finance LLC (an affiliate of Ernst & Young LLP), financial advisor to the Successor Trustee ("EYCF") and the Unofficial Committee, the Successor Trustee entered into a standstill agreement with the Company that suspended the right of the Company to terminate the Operating Agreements for a certain period, during which the monthly amount due to be paid by the Company to the Successor Trustee was reduced. The parties agreed to those temporary changes to the terms of the Operating Agreements, *inter alia*, in order to give all parties to the ongoing litigation additional time and opportunity to seek to reach a settlement of the litigation. In connection with such changes, the Successor Trustee entered into a *Stipulation and Consent Order Approving Standstill Agreement and Continuing Trial Dates* (the "Stipulation"). The Stipulation stayed all discovery and pleading deadlines in the Bear Swamp Adversary until March 1, 2004.

The Successor Trustee filed an answer to the Complaint together with counterclaims on March 22, 2004. In its counterclaims HSBC sought declarations that: (i) the Facility Leases, Participation Agreements and Site Subleases constituted a secured financing, rather than a "true lease" of real property, and consequently were not subject to rejection and (ii) even if the Facility Leases, Participation Agreements and Site Subleases were true leases, rejection damages claims arising from such contracts are not subject to a damage cap. The Company filed a reply to the Successor Trustee's counterclaims on April 9, 2004.

The Bear Swamp Adversary trial was held on June 21 through 23, 2004. At the conclusion of the trial, Judge Akard requested the parties file post trial briefs by July 9, 2004. On June 24, 2004, Judge Akard issued three orders ancillary to the Bear Swamp Adversary trial. On July 27, 2004, Judge Akard issued an order: (i) recusing himself from participating in the trial and (ii) announcing that Judge Mannes had agreed to adjudicate the adversary proceeding. Judge Mannes then issued an order on August 16, 2004, requiring the parties to submit a list of trial witnesses to be recalled for live testimony. The Bankruptcy Court has ordered that recalled witnesses be examined on December 8, 2004, and that each party to the Bear Swamp Adversary provide closing arguments to the Bankruptcy Court on December 9, 2004.

The Bankruptcy Court also suggested that the parties consider mediation in order to attempt to resolve the issues in the Bear Swamp Adversary. In response to the Bankruptcy Court's

suggestion, the parties to the Bear Swamp Adversary have asked Judge Erwin Katz, the former Chief Judge of the Eastern District of Illinois, to mediate the dispute. On September 22, 2004, the Bankruptcy Court entered an order referring the Bear Swamp Adversary to mediation and staying all matters in the Bear Swamp Adversary while the mediation is pending. The first mediation conferences took place on October 12 and 13, 2004, in Chicago. An additional mediation conference has been scheduled for November 22. To date, there has been no order regarding the disposition of the Bear Swamp Adversary.

Copies of relevant documents relating to the Bear Swamp Adversary have been posted on an extranet (the "Bear Swamp Extranet") that has been set up for Certificateholders to access. In order to gain access to the Bear Swamp Extranet, (i) go to the www.gcd.com website, (ii) at the homepage click on "GCD Extranet Connection" located at the bottom of the page, and (iii) enter "Bear" at the USER block, and "Swamp" at the PASSWORD block.

The Company's Request for Additional Extension of the Exclusivity Period

On July 23, 2003, the Bankruptcy Court entered an Order granting a *Third Request For An Extension Of The Exclusive Periods For Filing A Plan And Soliciting Acceptances Thereto* (the "Exclusivity Order"). The Exclusivity Order provides the Company with an extension until November 1, 2004, to file a plan of reorganization and until December 30, 2004, to solicit acceptances thereto. On October 22, the Company filed an additional motion to further extend exclusivity until March 1, 2005, to file a plan of reorganization and until May 1, 2005 to solicit acceptances thereto.

Solicitation of Parties Interested In Leasing, Operating or Acquiring the Bear Swamp Facility

On November 24, 2003, the Unofficial Committee issued a press release announcing that pursuant to their request, the Successor Trustee, through its financial advisor, was inviting expressions of interest from entities interested in leasing, operating or acquiring the Bear Swamp Facility. That process is ongoing and active, under the supervision of the financial advisor to the Successor Trustee and the Unofficial Committee.

Proof of Claim

The Bankruptcy Court established January 9, 2004, as the deadline to file proofs of claim in the Company's bankruptcy case. The Successor Trustee timely filed a proof of claim, a copy of which is posted on the Bear Swamp Extranet.

Retention of Financial Advisor

In connection with the October 2003 Direction, on November 1, 2003, EYCF was retained to serve as financial advisor to Debevoise & Plimpton LLP and Gardner Carton & Douglas LLP, in their capacities as counsel to the Successor Trustee, with respect to the insolvency of the Company and other matters as may be necessary in connection therewith. In June 2004, the lead EYCF advisor moved to the financial advisory firm of Conway, Del Genio, Gries & Co., LLC ("CDG"). As a result, as of August 4, 2004, CDG was retained by counsels to the Unofficial

Committee and the Successor Trustee to provide the financial advisory services previously provided by EYCF on terms similar to those that had been agreed to with EYCF. EYCF currently acts as a subcontractor to CDG in support of CDG's efforts on behalf of the Unofficial Committee and the Successor Trustee.

Retention of Counsel

The Successor Trustee has retained the law firm of Gardner Carton & Douglas LLP and specifically, Harold L. Kaplan and Stephanie Wickowski of that firm, to represent it in connection with the Chapter 11 case. Mr. Kaplan's address is Gardner Carton & Douglas LLP, 191 North Wacker Drive, Suite 3700, Chicago, Illinois 60606-1698, Ms. Wickowski's address is Gardner Carton & Douglas LLP, 1301 K St., N.W., Suite 900, East Tower, Washington, D.C. 20005. Their telephone numbers are (312) 569-1204 (Kaplan) and (202) 230-5161 (Wickowski), and their email addresses are hkaplan@gcd.com and swickowski@gcd.com. In addition, The Unofficial Committee has been advised by the law firm of Debevoise & Plimpton LLP, and CDG, financial advisor to Debevoise & Plimpton LLP in such capacity. Debevoise & Plimpton LLP has also been serving as co-counsel to the Successor Trustee, together with Gardner Carton & Douglas LLP, for the purpose of coordinating the efforts of the Successor Trustee and the Unofficial Committee.

Successor Trustee's Fees and Expenses

HSBC Bank USA, in its capacity as Successor Trustee for the Certificates, has incurred and will continue to incur fees and expenses, including attorney's fees, from time to time regarding, among other things, the Chapter 11 case. The Successor Trustee reserves its rights under, *inter alia*, Section 7.7 of the Pass Through Trust Agreements and Section 3.3. of the Lease Indentures, for reimbursement of any amounts due the Successor Trustee, including Successor Trustee's counsel fees, prior to the payment of the Certificates.

Credit Facility

Upon direction of the beneficial owners of Certificates constituting a majority in interest of each of the Series A Certificates and the Series B Certificates, pursuant to a direction letter delivered to the Successor Trustee in October 2003 (the "October 2003 Direction"), the Successor Trustee entered into a Credit Agreement, dated as of November 5, 2003 (the "2003 Credit Agreement"), and issued related promissory notes, pursuant to which the Successor Trustee borrowed \$4 million (the "2003 Loans") from two members (the "Lenders") of the Unofficial Committee, the proceeds of which were used for the purposes of preserving, protecting and realizing upon the collateral under the Operative Documents (the "Collateral"), including without limitation the payment of the fees and expenses of the Successor Trustee and its professional advisors.

The Trustee is in the process of negotiating the terms of, and preparing the documentation for, the refinancing of the 2003 Loans and the provision of additional funds for the purposes of paying the accrued and unpaid fees and expenses of the Successor Trustee and its professional advisors and providing for the payment of future fees and expenses. The proposed financing is subject to the approval and direction of a majority of the holders of Series A Pass Through

Certificates and a majority of the holders of the Series B Pass Through Certificates. The Successor Trustee expects soon to request the written directions from beneficial owners of Certificates constituting a majority in interest of each of the Series A Certificates and the Series B Certificates, directing it to enter into the relevant agreements. Copies of the proposed direction letter to the Successor Trustee with respect to such actions, together with the new credit agreement, are expected to be posted on the Bear Swamp Extranet on or before November 17, 2004.

Future Events

The Successor Trustee will periodically communicate with all Certificateholders through written notice of material events of a public nature of which the Successor Trustee has knowledge. Certificateholders, however, should not rely on the Successor Trustee as their sole source of information. The Successor Trustee makes no recommendation herein or as to the Certificates generally.

To facilitate such communications, we would appreciate any beneficial holder sending us a notice including its claimed holdings of the Certificates (with numbers and denominations, if applicable), a contact person, address, telephone number and facsimile number.

Communications to Successor Trustee

If you wish to contact the Successor Trustee regarding the Certificates or the contents of this Notice, we ask that you do so in writing directed to:

HSBC BANK USA, National Association
452 Fifth Avenue
New York, New York 10018-2706
Attention: Robert A. Conrad
Vice President
(212) 525-1314 (phone)
(212) 525-1366 (fax)
robert.conrad@us.hsbc.com (e-mail)

Very truly yours,

HSBC Bank USA, National Association
as Successor Trustee

cc: Harold L. Kaplan, Esq.
Stephanie Wickowski, Esq.

DC01/ 468657.5