UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended: June 30, 2018

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

GenOn Energy, Inc.

(Exact name of registrant as specified in its charter)

76-0655566 (I.R.S. Employer Identification No.)

Commission File Number: **001-16455**

Delaware (State or other jurisdiction of incorporation or organization)	**(609) 524-4500** (Registrant's telephone number, including area code)
1601 Bryan Street, Suite 2200, Dallas, Texas (Address of principal executive offices)	**75201** (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (As a voluntary filer not subject to filing requirements, the registrant nevertheless filed all reports which would have been required to be filed by Section 15(d) of the Exchange Act during the preceding 12 months had the registrant been required to file reports pursuant to Section 15(d) of the Exchange Act solely as a result of having registered debt securities under the Securities Act of 1933.)

☐ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	**Accelerated filer** ☐	**Non-accelerated filer** ☒ (Do not check if a smaller reporting company)	**Smaller reporting company** ☐	**Emerging growth company** ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

GenOn Energy, Inc.'s outstanding equity interest is held by NRG Energy, Inc. and there is no equity interests held by nonaffiliates.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Quarterly Report on Form 10-Q of GenOn Energy, Inc., or GenOn or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believe," "project," "anticipate," "plan," "expect," "intend," "estimate" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause GenOn's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A - *Risk Factors,* in Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, under Item 1A - *Risk Factors*, in Part II, Item 1A herein, and the following:

- The ability of GenOn and certain of its directly and indirectly-owned subsidiaries to consummate one or more plans of reorganization with respect to the Chapter 11 Cases, and to consummate the transactions contemplated by the Restructuring Support Agreement, including the ability of GenOn to successfully operate following any reorganization, including separation activities from NRG;
- The existence and duration of the Chapter 11 Cases, and the impact of orders and decisions of the Bankruptcy Court;
- The willingness of counterparties to transact with GenOn during the Chapter 11 cases;
- GenOn's ability to successfully engage in disposition activities;
- GenOn's and certain of its subsidiaries' ability to continue as a going concern;
- GenOn's ability to attract and retain skilled people, with the necessary applicable experience, particularly during the pendency of the Chapter 11 Cases;
- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Changes in law, including judicial decisions;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that GenOn may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of GenOn's risk management policies and procedures, and the ability of GenOn's counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting GenOn's liquidity position and financial condition;
- GenOn's ability to borrow additional funds and access capital markets, as well as GenOn’s substantial indebtedness and the possibility that GenOn may incur additional indebtedness going forward;
- GenOn's ability to find market participants that are willing to act as hedging counterparties;
- GenOn's ability to operate its businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from its asset-based businesses in relation to their debt and other obligations;
- GenOn's ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate GenOn's generation units for all of their costs;
- GenOn's ability to mitigate forced outage risk for units subject to capacity performance requirements in PJM and performance incentives in ISO-NE;
- GenOn's ability to implement its strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources while taking advantage of business opportunities;
- GenOn's ability to implement its strategy of increasing the return on invested capital through operational performance improvements and a range of initiatives at plants and corporate offices to reduce costs or generate revenues; and
- GenOn's ability to develop and maintain successful partnering relationships.

Forward-looking statements speak only as of the date they were made, and GenOn undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause GenOn's actual results to differ materially from those contemplated in any forward-looking statements included in this Quarterly Report on Form 10-Q should not be construed as exhaustive.

GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:

2017 Form 10-K	GenOn's Annual Report on Form 10-K for the year ended December 31, 2017
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP
ASU	Accounting Standards Updates, which reflect updates to the ASC
Average realized power prices	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
Bankruptcy Code	Chapter 11 of Title 11 of the United States Bankruptcy Code
Bankruptcy Court	United States Bankruptcy Court for the Southern District of Texas, Houston Division
BRA	Base Residual Auction
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CenterPoint	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries prior to August 31, 2002
CES	Clean Energy Standard
CFTC	U.S. Commodity Futures Trading Commission
Chapter 11 Cases	Voluntary cases commenced by the GenOn Entities under the Bankruptcy Code in the Bankruptcy Court
CSAPR	Cross-State Air Pollution Rule
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
Debt Documents	GenOn's Intercompany Revolver with NRG; the indenture governing the GenOn 7.875% Senior Notes due 2017 (as amended or supplemented from time to time); the indenture governing the GenOn 9.500% Notes due 2018 (as amended or supplemented from time to time); the indenture governing the GenOn 9.875% Notes due 2020 (as amended or supplemented from time to time); the indenture governing the GenOn Americas Generation 8.50% Senior Notes due 2021 (as amended or supplemented from time to time); and the indenture governing the GenOn Americas Generation 9.125% Senior Notes due 2031 (as amended or supplemented from time to time)
Economic gross margin	Sum of energy revenue, capacity revenue and other revenue, less cost of fuels and other cost of sales
EPA	United States Environmental Protection Agency
EPSA	Electric Power Supply Association
ESPS	Existing Source Performance Standards
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue gas desulfurization
FTRs	Financial Transmission Rights
GAAP	Accounting principles generally accepted in the U.S.
GenMA Settlement	The settlement terms finalized and effective as of April 27, 2018 among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders as part of the Bankruptcy Court approval of the Plan
GenOn	GenOn Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Americas Generation	GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries
GenOn Americas Generation Senior Notes	GenOn Americas Generation's $395 million outstanding unsecured senior notes consisting of $208 million of 8.50% senior notes due 2021 and $187 million of 9.125% senior notes due 2031 as of 3/31/2018
GenOn Energy Holdings	GenOn Energy Holdings, Inc. and, except where the context indicates otherwise, its subsidiaries

GenOn Energy Management	GenOn Energy Management, LLC, a wholly owned subsidiary of GenOn Energy, Inc.
GenOn Entities	GenOn and certain of its wholly owned subsidiaries, that filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court on June 14, 2017
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generation stations under operating leases
GenOn Senior Notes	GenOn's $1.8 billion outstanding unsecured senior notes consisting of $691 million of 7.875% senior notes due 2017, $649 million of 9.5% senior notes due 2018, and $490 million of 9.875% senior notes due 2020
GHG	Greenhouse Gases
ICE	Intercontinental Exchange
ISO	Independent System Operator, also referred to as RTO
ISO-NE	ISO New England Inc.
MC Asset Recovery	MC Asset Recovery, LLC
Mirant	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries
Mirant/RRI Merger	The merger completed on December 3, 2010 of Mirant Corporation and RRI Energy Inc. to form GenOn Energy, Inc.
Mirant Debtors	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and certain of its subsidiaries
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MOPR	Minimum Offer Price Rule
Mothballed	The unit has been removed from service and is unavailable for service, but has been laid up in a manner such that it can be brought back into service with an appropriate amount of notification, typically weeks or months
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
Natixis	Natixis Funding Corp.
NERC	North American Electric Reliability Corporation
Net Exposure	Counterparty credit exposure to GenOn, net of collateral
NOL	Net Operating Loss
NO_x	Nitrogen Oxides
NPDES	National Pollution Discharge Elimination System
NPNS	Normal Purchase Normal Sale
NRG	NRG Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
NRG Merger	The merger completed on December 14, 2012, whereby GenOn became a wholly owned subsidiary of NRG
NRG Settlement	The settlement terms finalized and effective as of July 13, 2018 entered into by the GenOn Entities and NRG to settle the disputes existing between such parties.
NSPS	New Source Performance Standards
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
NYSPSC	New York State Public Service Commission
Petition Date	June 14, 2017
PJM	PJM Interconnection, LLC
Plan	Joint Chapter 11 Plan of Reorganization of the GenOn Entities filed on June 29, 2017 and as amended on September 18, 2017, October 2, 2017 and December 12, 2017
RCRA	Resource Conservation and Recovery Act of 1976
REMA	NRG REMA LLC (formerly known as GenOn REMA, LLC)

Restructuring Support Agreement	Restructuring Support and Lock-Up Agreement, dated as of June 12, 2017 and as amended by the first amendment thereto on October 2, 2017, by and among GenOn Energy, Inc., the subsidiaries signatory thereto, NRG Energy, Inc. and the noteholders signatory thereto
RGGI	Regional Greenhouse Gas Initiative
RPM	Reliability Pricing Model
RTO	Regional Transmission Organization
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Services Agreement	NRG provides GenOn with various management, personnel and other services, which include human resources, regulatory and public affairs, accounting, tax, legal, information systems, treasury, risk management, commercial operations, and asset management, as set forth in the transition services agreement, formerly the services agreement, with GenOn
Settlement Agreement	A settlement agreement and any other documents necessary to effectuate the settlement among NRG, GenOn, and certain holders of senior unsecured notes of GenOn Americas Generation and GenOn, and certain of GenOn's direct and indirect subsidiaries
SO_2	Sulfur Dioxide
U.S.	United States of America

PART I - FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Operating Revenues				
Operating revenues	$ 387	$ 349	$ 960	$ 678
Operating revenues — affiliate	—	17	—	69
Total operating revenues	387	366	960	747
Operating Costs and Expenses				
Cost of operations	237	229	483	431
Cost of operations — affiliate	55	65	145	136
Depreciation and amortization	29	42	66	85
General and administrative	46	2	58	15
General and administrative — affiliate	20	40	39	86
Restructuring and transition-related costs	26	—	49	—
Total operating costs and expenses	413	378	840	753
Gain on sale of assets	433	—	433	—
Operating Income/(Loss)	407	(12)	553	(6)
Other Income/(Expense)				
Other income, net	7	6	13	11
Interest expense	(3)	(37)	(6)	(81)
Interest expense — affiliate	(2)	(3)	(5)	(6)
Other expense	—	(18)	—	(18)
Total other income/(expense)	2	(52)	2	(94)
Income/(Loss) Before Reorganization Items and Income Taxes	409	(64)	555	(100)
Reorganization items, net	10	77	(23)	77
Income/(Loss) Before Income Taxes	419	13	532	(23)
Income tax expense	16	6	16	7
Net Income/(Loss)	$ 403	$ 7	$ 516	$ (30)

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Net Income/(Loss)	$ 403	$ 7	$ 516	$ (30)
Other Comprehensive (Loss)/Income, net of tax of $0:				
Defined benefit plans	(1)	(1)	2	—
Other comprehensive (loss)/income	(1)	(1)	2	—
Comprehensive Income/(Loss)	$ 402	$ 6	$ 518	$ (30)

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018	December 31, 2017
	(unaudited)	
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 893	$ 837
Restricted cash	1	1
Accounts receivable	115	122
Inventory	216	338
Derivative instruments	14	14
Derivative instruments — affiliate	2	1
Cash collateral posted in support of energy risk management activities	83	57
Cash collateral posted in support of energy risk management activities — affiliate	24	32
Prepaid rent and other current assets	140	152
Total current assets	1,488	1,554
Property, plant and equipment, net	1,605	2,217
Other Assets		
Intangible assets, net	18	23
Derivative instruments	2	3
Derivative instruments — affiliate	—	1
Long-term deposits	31	130
Prepaid rent — non-current	654	341
Other non-current assets	146	135
Total other assets	851	633
Total Assets	$ 3,944	$ 4,404
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$ 1	$ 1
Current portion of long-term debt — affiliate	151	125
Accounts payable	74	105
Accounts payable — affiliate	19	36
Derivative instruments	8	22
Derivative instruments — affiliate	6	7
Accrued expenses and other current liabilities	124	133
Total current liabilities	383	429
Liabilities Subject to Compromise	2,072	2,840
Other Liabilities		
Long-term debt and capital leases	38	39
Derivative instruments	1	—
Derivative instruments — affiliate	2	3
Out-of-market contracts	591	734
Other non-current liabilities	264	284
Total non-current liabilities	896	1,060
Total Liabilities	3,351	4,329
Commitments and Contingencies		
Stockholder's Equity		
Common stock: $0.001 par value, 1 share authorized and issued at June 30, 2018 and December 31, 2017	—	—
Additional paid-in capital	338	338
Retained earnings / (accumulated deficit)	265	(251)
Accumulated other comprehensive loss	(10)	(12)
Total Stockholder's Equity	593	75
Total Liabilities and Stockholder's Equity	$ 3,944	$ 4,404

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30,	
	2018	2017
	(In millions)	
Cash Flows from Operating Activities		
Net Income/(Loss)	$ 516	$ (30)
Adjustments to reconcile net income/(loss) to net cash used by operating activities:		
Depreciation and amortization	66	85
Amortization of debt premiums	—	(24)
Loss on financing arrangement for 2022 Notes	—	18
Non-cash adjustment to write-off unamortized debt premiums	—	(107)
Gain on GAG Administrative Claim	(42)	—
Amortization of out-of-market contracts and emission allowances	(30)	(40)
Gain on sale of assets	(433)	—
Changes in derivative instruments	(14)	(32)
Changes in collateral deposits supporting energy risk management activities	(18)	90
Lower of cost or market inventory adjustments	—	2
Cash (used)/provided by changes in other working capital:		
Prepaid rent — non-current	(188)	(84)
Accounts payable — affiliate	(17)	—
Changes in other assets and liabilities	72	(15)
Net Cash Used by Operating Activities	(88)	(137)
Cash Flows from Investing Activities		
Capital expenditures	(23)	(55)
Proceeds from sale of assets, net	816	—
Refund for purchase option paid in 2017	14	—
Net Cash Provided/(Used) by Investing Activities	807	(55)
Cash Flows from Financing Activities		
Increase in long-term deposits	(26)	—
Payment for credit support	—	(130)
Payments for deferred financing costs	—	(92)
Proceeds from draw on intercompany secured revolving credit facility	26	125
Payments for current and long-term debt	(663)	(1)
Net Cash Used by Financing Activities	(663)	(98)
Net Increase/(Decrease) in Cash and Cash Equivalents and Restricted Cash	56	(290)
Cash and Cash Equivalents and Restricted Cash at Beginning of Period	838	1,034
Cash and Cash Equivalents and Restricted Cash at End of Period	$ 894	$ 744

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 — *Basis of Presentation*

GenOn Energy, Inc., or GenOn or the Company, a wholly owned subsidiary of NRG, is a wholesale generator engaged in the ownership and operation of power generation facilities, with approximately 12,261 MW of net electric generating capacity located in the U.S.

GenOn sells power from its generation portfolio and offers capacity or similar products to retail electric providers and others, and provides ancillary services to support system reliability.

Chapter 11 Cases

As further described in Note 3, *Chapter 11 Cases*, on June 14, 2017, GenOn, along with GenOn Americas Generation and certain of their directly and indirectly-owned subsidiaries, or collectively the GenOn Entities, filed voluntary petitions for relief under Chapter 11, or the Chapter 11 Cases, of the United States Bankruptcy Code, or the Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, or the Bankruptcy Court. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA and certain other subsidiaries, did not file for relief under Chapter 11.

The GenOn Entities remain in possession of their property and continue their business operations in the ordinary course uninterrupted as "debtors-in-possession" under jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The condensed consolidated financial statements for GenOn were prepared in accordance with Accounting Standards Codification (ASC) 852, *Reorganizations*, for debtors-in-possession.

On June 29, 2017, the GenOn Entities filed a Joint Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code (as may be amended, modified or supplemented from time to time), or the Plan, and a related Disclosure Statement, or the Disclosure Statement, with the Bankruptcy Court consistent with the restructuring support and lock-up agreement, or Restructuring Support Agreement, by and among the GenOn Entities, NRG, certain holders representing greater than 93% in aggregate principal amount of GenOn's Senior Notes and certain holders representing greater than 93% in aggregate principal amount of GenOn Americas Generation's Senior Notes, as further described in Note 3, *Chapter 11 Cases*.

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan, and effective December 12, 2017, GenOn and NRG entered into agreements concerning (i) timeline and transition, (ii) cooperation and co-development matters, (iii) post-employment and retiree health and welfare benefits and pension benefits, (iv) tax matters, and (v) intercompany balances and releases, consistent with the Restructuring Support Agreement, which among other things, provide for the transition of GenOn to a standalone enterprise, the resolution of substantial intercompany claims between GenOn and NRG, and the allocation of certain costs and liabilities between GenOn and NRG. On December 12, 2017, the Bankruptcy Court also entered an order giving effect to the Consent Agreement.

Liquidity and Ability to Continue as a Going Concern

The accompanying unaudited interim condensed consolidated financial statements have been prepared assuming GenOn will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business. As such, the accompanying unaudited interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should GenOn be unable to continue as a going concern. Such adjustments could have a material adverse impact on GenOn's results of operations, cash flows and financial position.

As described above and in Note 3, *Chapter 11 Cases*, the GenOn Entities submitted the Plan in connection with the Chapter 11 Cases and the Bankruptcy Court entered an order confirming the Plan. There is no assurance that all conditions precedent to the effectiveness of the Plan will be satisfied. GenOn's ability to continue as a going concern is dependent on many factors, including the consummation of the Plan in a timely manner and GenOn's ability to achieve profitability following emergence from bankruptcy. Given the uncertainty as to the outcome of these factors, there is substantial doubt about GenOn's ability to continue as a going concern.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the financial statements in the Company's 2017 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of June 30, 2018, and the results of operations, comprehensive income/(loss) and cash flows for the three and six months ended June 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The reclassifications did not affect results from operations, net assets or cash flows.

Note 2 — *Summary of Significant Accounting Policies*

Other Balance Sheet Information

The following table presents the accumulated depreciation included in property, plant and equipment, net, and accumulated amortization included in intangible assets, net, as of June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
	(In millions)	
Property, plant and equipment accumulated depreciation	$ 507	$ 634
Intangible assets accumulated amortization	23	70

Business Interruption Insurance Proceeds

During the first quarter of 2018, the Company received $16 million in business interruption insurance proceeds as a result of insurance claims from 2016 and 2014 forced outages at Bowline and Avon Lake. The proceeds from business interruption insurance are included in cost of operations on the statement of operations and in cash flows from operating activities in the statement of cash flows for the Company for the six months ended June 30, 2018.

Recent Accounting Developments — Guidance Adopted in 2018

ASU 2017-07 — In March 2017, the FASB issued ASU No. 2017-07, *Compensation — Retirement Benefits* (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, or ASU No. 2017-07. Current GAAP does not indicate where the amount of net benefit cost should be presented in an entity's income statement and does not require entities to disclose the amount of net benefit cost that is included in the income statement. The amendments of ASU No. 2017-07 require an entity to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered by the related employees during the applicable service period. The other components of net benefit cost are required to be presented separately from the service cost component and outside the subtotal of income from operations. Further, ASU No. 2017-07 prescribes that only the service cost component of net benefit cost is eligible for capitalization. The Company adopted the amendments of ASU No. 2017-07 effective January 1, 2018. In connection with the adoption of the standard, the Company has applied the guidance retrospectively which resulted in an increase in cost of operations of $3 million and $5 million with a corresponding increase in other income, net on the statement of operations for the three and six months ended June 30, 2017, respectively.

Revenue Recognition

Revenue from Contracts with Customers

On January 1, 2018, the Company adopted the guidance in ASC 606 using the modified retrospective method applied to contracts which were not completed as of the adoption date, with no adjustment required to the financial statements upon adoption. Following the adoption of the new standard, the Company's revenue recognition of its contracts with customers remains materially consistent with its historical practice. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company's policies with respect to its various revenue streams are detailed below. In general, the Company applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Energy Revenue

Both physical and financial transactions are entered into to optimize the financial performance of the Company's generating facilities. Electric energy revenue is recognized upon transmission to the customer over time, using output method for measuring progress of satisfaction of performance obligations. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in the Company's consolidated statements of operations. The Company applies the invoicing practical expedient, where applicable, in recognizing energy revenue. Under the practical expedient, revenue is recognized based on the invoiced amount, which is equal to the value to the customer of GenOn's performance obligation completed to date. Financial transactions, or the buying and selling of energy for trading purposes, are recorded net within operating revenues in the consolidated statements of operations in accordance with ASC 815.

Capacity Revenue

Capacity revenues consist of revenues billed to a third party at either the market or a negotiated contract price for making installed generation capacity available in order to satisfy system integrity and reliability requirements. Capacity revenues are recognized over time, using output method for measuring progress of satisfaction of performance obligations. The Company applies the invoicing practical expedient, where applicable, in recognizing capacity revenue. Under the practical expedient, revenue is recognized based on the invoiced amount, which is equal to the value to the customer of GenOn's performance obligation completed to date.

Capacity revenue contracts mainly consist of:

Capacity auctions — The Company's largest sources of capacity revenues are capacity auctions in PJM, ISO-NE, and NYISO. Capacity auction delivery periods span from June through May. Both ISO-NE and PJM operate a pay-for-performance model where capacity payments are modified based on real-time performance, where GenOn's actual revenues will be the combination of revenues based on the cleared auction MWs plus the net of any over- and under-performance of GenOn's fleet. Estimated revenues for cleared auction MWs in the various capacity auctions are $584 million, $329 million, $226 million, $329 million and $170 million for fiscal years 2018, 2019, 2020, 2021 and 2022, respectively.

Resource adequacy and bilateral contracts — In California, there is a resource adequacy requirement that is primarily satisfied through bilateral contracts. Such bilateral contracts are typically short-term resource adequacy contracts. When bilateral contracting does not satisfy the resource adequacy need, such shortfalls can be addressed through procurement tools administered by the CAISO, including the capacity procurement mechanism or reliability must-run contracts. Demand payments from the current long-term contracts are tied to summer peak demand and provide a mechanism for recovering a portion of the costs associated with new or changed environmental laws or regulations.

Sale of Emission Allowances

The Company records its inventory of emission allowances as part of intangible assets. From time to time, management may authorize the transfer of emission allowances in excess of usage from the Company's emission bank to intangible assets held-for-sale for trading purposes. The Company records the sale of emission allowances on a net basis within operating revenue in the consolidated statements of operations.

Disaggregated Revenues

The following table represents the Company's disaggregation of revenue from contracts with customers for the three months ended June 30, 2018 and six months ended June 30, 2018:

	Three months ended June 30, 2018	Six months ended June 30, 2018
	(In millions)	
Energy revenue[a]	$ 210	$ 604
Capacity revenue[a]	169	325
Mark-to-market for economic hedging activities[b]	—	14
Other revenues	8	17
Operating revenue	387	960
Less: Derivative revenue	11	21
Total revenue from contracts with customers	**$ 376**	**$ 939**
(a) The following amounts of energy and capacity revenue relate to derivative instruments and are accounted for under ASC 815:		
Energy revenue	$ (13)	$ (25)
Capacity revenue	24	32
(b) Revenue relates entirely to unrealized gains and losses on derivative instruments accounted for under ASC 815.		

Contract Balances

The following table reflects the contract assets included in the Company's balance sheet as of June 30, 2018:

(In millions)	June 30, 2018
Accounts receivable - Contracts with customers	$ 113
Accounts receivable - Derivative instruments	2
Total accounts receivable	$ 115

Recent Accounting Developments — Guidance Not Yet Adopted

ASU 2016-02 — In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, or Topic 842, with the objective to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and to improve financial reporting by expanding the related disclosures. The guidance in Topic 842 provides that a lessee that may have previously accounted for a lease as an operating lease under current GAAP should recognize the assets and liabilities that arise from a lease on the balance sheet. In addition, Topic 842 expands the required quantitative and qualitative disclosures with regards to lease arrangements. The Company will adopt the standard effective January 1, 2019 and expect to elect certain of the practical expedients permitted, including the expedient that permits the Company to retain its existing lease assessment and classification. The Company is currently working through an adoption plan which includes the evaluation of lease contracts compared to the new standard. While the Company is currently evaluating the impact that the new guidance will have on its financial position and results of operations, the Company expects to recognize lease liabilities and right of use assets. The extent of the increase to assets and liabilities associated with these amounts remains to be determined pending the Company's review of its existing lease contracts and service contracts which may contain embedded leases. While this review is still in process, the Company believes the adoption of Topic 842 will have a material impact on its financial statements. The Company is also monitoring recent changes to Topic 842 and the related impact on the implementation process.

Note 3 — *Chapter 11 Cases*

Chapter 11 Cases

On June 14, 2017, or the Petition Date, the GenOn Entities filed the Chapter 11 Cases. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA, and certain other subsidiaries, did not file for relief under Chapter 11.

The GenOn Entities remain in possession of their property and continue their business operations in the ordinary course uninterrupted as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

On June 29, 2017, the GenOn Entities filed the Plan and the Disclosure Statement with the Bankruptcy Court consistent with the Restructuring Support Agreement. On September 18, 2017 and October 2, 2017, the GenOn Entities filed amendments to the Plan and Disclosure Statement, which primarily provided the GenOn Entities with the flexibility to complete sales of certain assets pursuant to the Plan, as amended, and removed the GenOn Entities' requirement to conduct a rights offering in connection with the GenOn Entities' exit financing. On or about October 6, 2017, the Debtors commenced solicitation of the Plan.

On October 31, 2017, the GenOn Entities announced that they entered into a Consent Agreement with certain holders of GenOn's Senior Notes and GenOn Americas Generation's Senior Notes, collectively, the Consenting Holders, whereby the GenOn Entities and the Consenting Holders agreed to extend the milestones in the Restructuring Support Agreement, by which the Plan must become effective, or the Effective Date. Specifically, the Consent Agreement extends the Effective Date milestone to June 30, 2018 or September 30, 2018, if regulatory approvals are still pending, or the Extended Effective Dates.

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan, and effective December 12, 2017, GenOn and NRG entered into agreements concerning (i) timeline and transition, (ii) cooperation and co-development matters, (iii) post-employment and retiree health and welfare benefits and pension benefits, (iv) tax matters, and (v) intercompany balances and releases, consistent with the Restructuring Support Agreement, which among other things, provide for the transition of GenOn to a standalone enterprise, the resolution of substantial intercompany claims between GenOn and NRG, and the allocation of certain costs and liabilities between GenOn and NRG. On December 12, 2017, the Bankruptcy Court also entered an order giving effect to the Consent Agreement.

GenMA Settlement

The Bankruptcy Court order confirming the Plan also approved the settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders, or the GenMA Settlement, and directed the settlement parties to cooperate in good faith to negotiate definitive documentation consistent with the GenMA Settlement term sheet in order to pursue consummation of the GenMA Settlement. The definitive documentation consummating the GenMA Settlement was finalized and effective as of April 27, 2018.

Certain terms of the compromise reflected by the definitive documentation implementing the GenMA Settlement are as follows, as qualified by the applicable definitive documentation:

- settlement of all pending litigation with the Owner Lessor Plaintiffs (as defined in the Plan), including two actions pending in the Supreme Court of the State of New York, and the release of certain claims and causes of action by and among NRG, GenOn Mid-Atlantic, the Owner Lessor Plaintiffs and certain of their respective related parties;
- cash redemption or purchase of certain outstanding lessor notes/pass-through certificates, funded by (i) GenOn Mid-Atlantic cash on hand; (ii) proceeds from a J.P. Morgan letter of credit draw; and (iii) a $20.0 million subordinated loan by GenOn to GenOn Mid-Atlantic;
- NRG caused a letter of credit to be issued in the amount of $37.5 million as credit support to GenOn Mid-Atlantic, in respect of GenOn Mid-Atlantic's rent obligations;
- GenOn retained $125.0 million from the pre-petition transfer from GenOn Mid-Atlantic on account of the J.P. Morgan letter of credit draw and all proceeds of NRG's settlement payment of approximately $261.3 million to GenOn in connection with the NRG Settlement, subject to setoff as further discussed below, to fully settle the disputes existing between such parties and their respective affiliates;
- Debt and lien covenants will permit a secured working capital facility in an amount not to exceed $75.0 million, which GenOn Mid-Atlantic will use commercially reasonable efforts to obtain; and
- GenOn Mid-Atlantic will have one independent director appointed by the Owner Lessor Plaintiffs.

NRG Settlement

On July 13, 2018, the Bankruptcy Court entered an order approving certain modifications to the Settlement Agreement entered into by the GenOn Entities and NRG on December 14, 2017, to enable consummation of the NRG Settlement, as defined in the Plan, and settle the disputes existing between such parties. Certain of the modifications are as follows:

- NRG and GenOn agreed to waive any unsatisfied conditions precedent to the Settlement Agreement and consummate such agreement no later than July 16, 2018;
- NRG agreed to assign its $8.4 million historical claim against REMA, in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement;
- GenOn posted a $10.0 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG until REMA has provided NRG a release;
- GenOn will use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; and
- The shared services under the transition services agreement between GenOn and NRG will be deemed terminated as of August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. NRG will have no obligation to provide any shared services under the transition services agreement, with the sole exception of payroll services, beyond August 15, 2018.

On July 16, 2018, GenOn and NRG consummated the NRG Settlement and certain transactions were settled and paid, including the settlement consideration of $261.3 million and the transition services credit of $28 million owed by NRG to GenOn, offset by the $151 million in borrowings under the Intercompany Revolver, along with related accrued interest of $12 million and certain other balances owed by GenOn to NRG, including fees accrued for services provided under the Services Agreement. In connection with the settlement, GenOn received approximately $125 million of net proceeds from NRG, subject to post-closing adjustments, and posted a $10 million letter of credit to NRG. Other than those obligations which survive or are independent of the releases described herein, the NRG Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

Restructuring Support Agreement

Prior to filing the Chapter 11 Cases, the GenOn Entities entered into the Restructuring Support Agreement on June 12, 2017 that provided for a restructuring and recapitalization of the GenOn Entities through a prearranged plan of reorganization. Certain principal terms of the Restructuring Support Agreement were documented in various support agreements, including a transition services agreement, entered into by GenOn and NRG and approved by the Bankruptcy Court pursuant to an order of confirmation, and are detailed below:

1) The dismissal of certain pre-petition litigation and full releases from GenOn and each of its debtor and non-debtor subsidiaries in favor of NRG, excluding REMA.
2) GenOn received cash consideration from NRG of $261.3 million pursuant to the NRG Settlement executed in connection with the Plan, which was received in cash less any amounts owed to NRG under the intercompany secured revolving credit facility, or the Intercompany Revolver, as further described above. As of June 30, 2018, GenOn owed NRG approximately $151 million under the Intercompany Revolver. See Note 9, *Related Party Transactions*, for further discussion of the Intercompany Revolver.
3) NRG will consent to the cancellation of its interests in the equity of GenOn and be entitled to a worthless stock deduction, as further described in the tax matters agreement. The equity interests in the reorganized GenOn will be issued to the holders of the GenOn Senior Notes along with a cash payment from NRG equal to approximately $75 million, which is included in the $261.3 million mentioned above, and, subject to certain eligibility restrictions, rights to participate pro rata in a new secured notes offering, as further described below.
4) NRG will retain the pension liability, including payment of approximately $13 million of 2018 pension contributions, for GenOn employees for service provided prior to the completion of the reorganization. GenOn's pension liability as of June 30, 2018 was approximately $90 million. NRG will also retain the liability for GenOn's post-employment and retiree health and welfare benefits, in an amount up to $25 million.
5) The shared services agreement between GenOn and NRG was terminated and replaced as of the plan confirmation date with a transition services agreement at an annualized rate of $84 million, subject to certain credits and adjustments. See Note 9, *Related Party Transactions*, for further discussion of the Services Agreement.
6) GenOn received a credit of approximately $28 million from NRG to apply against amounts owed under the Services Agreement. The credit was specifically equal to the amount of the 4% aggregate principal amount of the new senior secured first lien notes due 2022, or the 2022 Notes, plus accrued interest from the date of entry into the escrow agreement entered into in connection with the 2022 Notes and is intended to reimburse GenOn for its payment of such amount, as described below.
7) NRG agreed to provide GenOn with a letter of credit facility during the pendency of the Chapter 11 Cases, which could be utilized for required letters of credit in lieu of the Intercompany Revolver. GenOn can no longer utilize the Intercompany Revolver and, on July 27, 2017, the letter of credit facility was terminated, as GenOn had obtained a separate letter of credit facility with Citibank N.A., or Citibank. See Note 9, *Related Party Transactions*, for further discussion of the Intercompany Revolver and the letter of credit facility with NRG and Note 7, *Debt and Capital Leases*, for the letter of credit facility obtained with Citibank in July 2017.
8) Certain holders of the Senior Notes, known as the Backstop Parties, have executed a letter of commitment, or the Backstop Commitment Letter, pursuant to which the Backstop Parties committed to backstop the exit financing obtained by GenOn to facilitate the payment of the obligations under the Plan and other working capital needs of the GenOn Entities upon their emergence from Chapter 11. The Backstop Commitment Letter expired in accordance with its terms on November 17, 2017.
9) GenOn and NRG have agreed to cooperate in good faith to maximize the value of certain development projects. Pursuant to this, GenOn made a one-time payment in the amount of $15 million to NRG in December 2017 as compensation for a purchase option with respect to the Canal 3 project. On March 22, 2018, NRG agreed to sell Canal 3 to a third party, in conjunction with GenOn's sale of Canal Units 1 and 2 to the same third party. On June 29, 2018, in connection with the closing of the Canal 3 sale, NRG refunded GenOn $13.5 million related to the prepayment of the purchase option.

In addition to the Restructuring Support Agreement, GenOn entered into additional support and other agreements including a transition services agreement, a cooperation agreement and a tax matters agreement, which were approved by the Bankruptcy Court pursuant to an order of confirmation.

The filing of the Chapter 11 Cases automatically stayed most actions against the GenOn Entities pursuant to Section 362(a) of the Bankruptcy Code. Absent an order from the Bankruptcy Court, the GenOn Entities' pre-petition liabilities are subject to discharge under the Plan.

The GenOn Entities have filed certain motions with the Bankruptcy Court that have been approved in connection with the confirmation of the Plan. The GenOn Entities expect to operate in the normal course of business throughout the reorganization process. The GenOn Entities have continued to make payments to certain vendors with respect to pre-petition liabilities as permitted by the Bankruptcy Court order, and vendors have been paid for goods and services provided after the Petition Date in the ordinary course of business.

GenOn Debt

As of June 30, 2018, the Intercompany Revolver and GenOn Senior Notes totaled approximately $2.0 billion. The filing of the Chapter 11 Cases constitutes an event of default under the following debt instruments, or collectively, the Debt Documents:

1) The Intercompany Revolver with NRG;
2) The indenture governing the GenOn 7.875% Senior Notes due 2017 (as amended or supplemented from time to time);
3) The indenture governing the GenOn 9.500% Notes due 2018 (as amended or supplemented from time to time);
4) The indenture governing the GenOn 9.875% Notes due 2020 (as amended or supplemented from time to time);
5) The indenture governing the GenOn Americas Generation 8.50% Senior Notes due 2021 (as amended or supplemented from time to time); and
6) The indenture governing the GenOn Americas Generation 9.125% Senior Notes due 2031 (as amended or supplemented from time to time).

The Debt Documents set forth in 1-4 above provide that as a result of the commencement of the Chapter 11 Cases the principal and accrued interest due thereunder was immediately due and payable. The Debt Documents set forth in 5-6 above provide that as a result of the commencement of the Chapter 11 Cases the applicable indenture trustee or certain holders of the notes may declare the principal and accrued interest due thereunder to be immediately due and payable. Any efforts to enforce such payment obligations under the Debt Documents were automatically stayed as a result of the commencement of the Chapter 11 Cases, and the holders' rights of enforcement in respect of the Debt Documents are subject to the applicable provisions of the Bankruptcy Code. The Chapter 11 Cases could also potentially give rise to counterparty rights and remedies under other documents. For further discussion, see Note 7, *Debt and Capital Leases* and Note 10, *Commitments and Contingencies*.

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan granting an allowed claim plus certain accrued interest, or the GAG Administrative Claim, estimated to be $663 million, to the holders of the GenOn Americas Generation Senior Notes, due 2021 and GenOn Americas Generation Senior Notes, due 2031. On February 1, 2018, pursuant to a January 30, 2018 order of the Bankruptcy Court, or the GAG Settlement Order, the GenOn Entities elected to make a partial payment in respect of the GAG Administrative Claim, in the amount of $300 million, consisting of $158 million and $142 million to be applied to the outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively.

On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in respect of the remaining outstanding balance of the GAG Administrative Claim, in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes. In connection with the payment, GenOn recognized $42 million as a gain on reorganization items, net.

On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

2022 Notes

On May 8, 2017, a remote special purpose limited liability company issued $550 million in principal amount of notes that bore interest at a rate of 10.5% with a maturity date of June 1, 2022. The proceeds were deposited into a separate and independently maintained escrow account along with 4% of the principal amount and accrued interest from May 8, 2017 through June 15, 2017 totaling $28 million. If certain conditions were satisfied, GenOn was expected to merge with the remote special purpose limited liability company and assume the obligation for the 2022 Notes, which were to be secured by certain of GenOn's and its subsidiaries' assets. Based on the terms of the underlying transaction documents governing the 2022 Notes, on June 14, 2017, when GenOn filed the Chapter 11 Cases, the funds held in the escrow account were released to the holders of the 2022 Notes, which were simultaneously redeemed. In connection with the escrow release, GenOn expensed $18 million in fees incurred in connection with the 2022 Notes offering in other expense during the second quarter of 2017. These fees, along with the $28 million that was reimbursed by NRG, as further described in Note 9, *Related Party Transactions*, for a total of $46 million, were reflected as financing costs in the statement of cash flows for the six months ended June 30, 2017.

Backstop Fee

The Restructuring Support Agreement also contemplates $900 million in aggregate principal amount of exit financing sought by GenOn primarily to refinance existing indebtedness and pay distributions under the Plan. Consistent with the terms of the Backstop Commitment Letter, GenOn paid $45 million in total (5% of the principal amount of the exit financing), or the Backstop Fee, to certain holders of notes issued by GenOn and GenOn Americas Generation, or the Backstop Parties, in exchange for the Backstop Parties' joint commitment to fully subscribe the exit financing in the event that certain other parties do not fund the full commitments of the exit financing. On October 2, 2017, the GenOn Entities amended the backstop commitment letter to, among other things, remove the requirement to conduct a rights offering. The Backstop Commitment Letter expired in accordance with its terms on November 17, 2017.

The Backstop Fee was considered earned by the Backstop Parties and was paid on June 13, 2017. This payment is effectively a discount (a reduction of the proceeds to be received by GenOn from the noteholders) and is reported in other non-current assets on GenOn's condensed consolidated balance sheet as of June 30, 2018. When the financing is in effect, it will be reported as a direct reduction from the carrying amount of the debt and amortized over the five-year term as interest expense. The Backstop Fee was reflected as financing costs in the statement of cash flows for the six months ended June 30, 2017.

Accounting for Reorganization

As a result of the Chapter 11 Cases, realization of assets and satisfaction of liabilities are subject to a significant number of uncertainties. The condensed consolidated financial statements for GenOn are prepared in accordance with Accounting Standards Codification (ASC) 852, *Reorganizations*, for debtors-in-possession.

Liabilities Subject to Compromise

GenOn's condensed consolidated balance sheets as of June 30, 2018 include amounts classified as liabilities subject to compromise which include prepetition liabilities that were allowed or that are estimated would be allowed as claims in its Chapter 11 proceedings. If there is uncertainty about whether a claim will be impaired under the Plan, the entire amount of the claim is included in liabilities subject to compromise. The following table summarizes the components of liabilities subject to compromise included on the condensed consolidated balance sheets:

	As of June 30, 2018	As of December 31, 2017
	(In millions)	
Accounts payable and accrued expenses	$ 34	$ 41
Long-term debt, including current portion	1,868	2,615
Accrued interest	46	56
Pension and postretirement liabilities	115	117
Other	9	11
	$ 2,072	$ 2,840

Interest Expense

GenOn will not pay interest expense on the GenOn Senior Notes or the GenOn Americas Senior Notes during bankruptcy and it is not expected to be an allowable claim. Therefore, GenOn did not record interest on the GenOn Senior Notes or the GenOn Americas Generation Senior Notes in the amount of $41 million and $6 million, respectively, for the three months ended June 30, 2018, and $82 million and $17 million, respectively, for the six months ended June 30, 2018. GenOn also did not record interest on the GenOn Senior Notes or the GenOn Americas Senior Notes in the amount of $5 million and $3 million, respectively, for the period from June 14, 2017 to June 30, 2017.

Reorganization Items

Reorganization items represent costs directly associated with the Chapter 11 proceedings. The below table represents the significant items in reorganization items for GenOn:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Legal and other professional advisory fees	$ (23)	$ (26)	$ (45)	$ (26)
Write-off of debt premiums and credit reserves	—	103	—	103
Fees paid to GenOn Americas Generation's senior unsecured noteholders	(7)	—	(18)	—
Gain on GAG Administrative Claim	42	—	42	—
Other	(2)	—	(2)	—
	$ 10	$ 77	$ (23)	$ 77

During the three and six months ended June 30, 2018, $39 million and $87 million, respectively, of cash payments were made by GenOn for reorganization items, which include reorganization items that were incurred during 2017. During the period from June 14, 2017 to June 30, 2017, $23 million of cash payments were made by GenOn for reorganization items.

Note 4 — *Dispositions*

2018 Dispositions

Sale of Hunterstown

On June 1, 2018, the Company completed the sale of the Hunterstown generation station, or Hunterstown, and certain third party gas interconnection contracts, pursuant to the asset purchase agreement entered into on February 22, 2018, between subsidiaries of GenOn and Kestrel Acquisition, LLC for cash consideration of $498 million, subject to post-closing working capital adjustments. Hunterstown is an 810 MW natural gas facility located in Gettysburg, Pennsylvania. The sale resulted in a gain of approximately $140 million recognized in the Company's consolidated results of operations during the second quarter of 2018.

Prior to the sale, income before income taxes for Hunterstown and the associated contracts being sold was $16 million and $43 million for the three and six months ended June 30, 2018, respectively, and $14 million and $20 million for the three and six months ended June 30, 2017, respectively.

Sale of Canal 1 and 2

On June 29, 2018, the Company completed the sale of the Canal Units 1 and 2 electricity generating facilities with a combined 1,112 MW capacity in Sandwich, Massachusetts, pursuant to the asset purchase agreement entered into on March 22, 2018, between subsidiaries of GenOn and Stonepeak Kestrel Holdings LLC for total consideration of $320 million, consisting of $318 million of cash received and $2 million held in escrow to cover post-closing obligations, subject to post-closing working capital adjustments. The sale resulted in a gain of approximately $293 million recognized in the Company's consolidated results of operations during the second quarter of 2018. In addition, Stonepeak committed to future purchases of excess inventory from GenOn within two years after closing, which was valued at $24 million as of June 30, 2018.

Also on June 29, 2018, an affiliate of the purchaser of Canal Units 1 and 2 completed the acquisition of Canal 3 pursuant to the purchase agreement entered into on March 22, 2018 with an affiliate of NRG. The closing of the Canal 3 transaction was a closing condition under the Canal Units 1 and 2 purchase agreement. In addition, NRG refunded GenOn $13.5 million for GenOn's prepayment of a purchase option with respect to the Canal 3 project upon completion of the Canal 3 transaction.

Prior to the sale, income before income taxes for Canal was $23 million and $52 million for the three and six months ended June 30, 2018, respectively, and $6 million and $17 million for the three and six months ended June 30, 2017, respectively.

2017 Dispositions

Sale of Emission Allowances

During the first quarter of 2017, GenOn Energy Management, through its existing agreement with NRG Power Marketing, LLC, sold 1.3 million of excess California Air Resource Board emission credit allowances for proceeds of $18 million resulting in a gain on the sale of approximately $1 million.

Note 5 — *Fair Value of Financial Instruments*

This footnote should be read in conjunction with the complete description under Note 5, *Fair Value of Financial Instruments*, to the Company's 2017 Form 10-K.

For cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities, and cash collateral posted in support of energy risk management activities, the carrying amounts approximate fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

As a result of the GenOn Entities filing for relief under Chapter 11 as further discussed in Note 3, *Chapter 11 Cases*, GenOn's long-term debt, including current portion, obtained prior to the Petition Date is classified as liabilities subject to compromise as of June 30, 2018, and December 31, 2017.

As of June 30, 2018, and December 31, 2017, the estimated carrying amount and fair value of GenOn's long-term debt, including current portion, is $38 million and $39 million, respectively, and is classified as Level 3 within the fair value hierarchy. The carrying amount and fair value of the current portion of long-term debt — affiliate is $151 million and $125 million as of June 30, 2018, and December 31, 2017, respectively, and is classified as Level 3 within the fair value hierarchy.

The fair value of non-publicly traded debt and long-term debt — affiliate is based on the income approach valuation technique using current interest rates for similar instruments with equivalent credit quality and is classified as Level 3 within the fair value hierarchy.

Recurring Fair Value Measurements

Derivative assets and liabilities and rabbi trust investments are carried at fair market value. Realized and unrealized gains and losses included in earnings that are related to energy derivatives are recorded in operating revenues and cost of operations.

The following tables present assets and liabilities (including affiliate amounts) measured and recorded at fair value on the Company's condensed consolidated balance sheet on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2018			
	Fair Value			
	Level 1 [a]	Level 2 [a]	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	$ —	$ 17	$ 1	$ 18
Derivative liabilities:				
Commodity contracts	$ —	$ 16	$ 1	$ 17
Other assets [b]	$ 3	$ —	$ —	$ 3

(a) There were no transfers between Levels 1 and 2 during the three and six months ended June 30, 2018.

(b) Relates to mutual funds held in a rabbi trust for non-qualified deferred compensation plans for certain key and highly compensated employees.

	As of December 31, 2017			
	Fair Value			
	Level 1 [a]	Level 2 [a]	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	$ —	$ 17	$ 2	$ 19
Derivative liabilities:				
Commodity contracts	$ —	$ 29	$ 3	$ 32
Other assets [b]	$ 8	$ —	$ —	$ 8

(a) There were no transfers between Levels 1 and 2 during the year ended December 31, 2017.

(b) Relates to mutual funds held in a rabbi trust for non-qualified deferred compensation plans for certain key and highly compensated employees.

The following table reconciles, for the three and six months ended June 30, 2018 and 2017, the beginning and ending balances for derivatives that are recognized at fair value in the Company's condensed consolidated financial statements at least annually using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	Derivatives [a]		Derivatives [a]	
	(In millions)			
Beginning balance	$ —	$ (2)	$ (1)	$ (1)
Total gains/(losses) included in earnings — realized/unrealized	—	—	1	(1)
Ending balance	$ —	$ (2)	$ —	$ (2)
(Losses)/gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of June 30	$ —	$ (2)	$ 1	$ (2)

(a) Consists of derivative assets and liabilities, net.

Derivative Fair Value Measurements

A portion of GenOn's contracts are exchange-traded contracts with readily available quoted market prices. A majority of GenOn's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available for the whole term or for certain delivery months. These contracts are valued using various valuation techniques including but not limited to internal models that apply fundamental analysis of the market and corroboration with similar markets. As of June 30, 2018, contracts valued with prices provided by models and other valuation techniques make up 6% of the total derivative assets and 6% of the total derivative liabilities.

GenOn's significant positions classified as Level 3 include physical coal executed in illiquid markets as well as financial transmission rights, or FTRs. The significant unobservable inputs used in developing fair value include illiquid coal location pricing, which is derived as a basis to liquid locations. The basis spread is based on observable market data when available or derived from historic prices and forward market prices from similar observable markets when not available. For FTRs, GenOn uses the most recent auction prices to derive the fair value.

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 positions as of June 30, 2018 and December 31, 2017:

	Significant Unobservable Inputs						
	June 30, 2018						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Coal Contracts	$ 1	$ —	Discounted Cash Flow	Forward Market Price (per ton)	$ 50	$ 54	$ 50
FTRs	—	1	Discounted Cash Flow	Auction Prices (per MWh)	(3)	3	—
	$ 1	$ 1					

	Significant Unobservable Inputs						
	December 31, 2017						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Coal Contracts	$ 1	$ —	Discounted Cash Flow	Forward Market Price (per ton)	$ 46	$ 49	$ 47
FTRs	1	3	Discounted Cash Flow	Auction Prices (per MWh)	(4)	2	—
	$ 2	$ 3					

The following table provides sensitivity of fair value measurements to increases/(decreases) in significant unobservable inputs as of June 30, 2018 and December 31, 2017:

Significant Unobservable Input	Position	Change In Input	Impact on Fair Value Measurement
Forward Market Price Coal	Buy	Increase/(Decrease)	Higher/(Lower)
Forward Market Price Coal	Sell	Increase/(Decrease)	Lower/(Higher)
FTR Prices	Buy	Increase/(Decrease)	Higher/(Lower)
FTR Prices	Sell	Increase/(Decrease)	Lower/(Higher)

The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit/non-performance reserve to reflect credit risk which is calculated based on published default probabilities. To the extent that GenOn's net exposure under a specific master agreement is an asset, GenOn uses the counterparty's default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume GenOn's liabilities or that a market participant would be willing to pay for GenOn's assets. There were no non-performance/credit reserves for GenOn as of June 30, 2018 and December 31, 2017.

Under the guidance of ASC 815, entities may choose to offset cash collateral posted or received against the fair value of derivative positions executed with the same counterparties under the same master netting agreements. GenOn has chosen not to offset positions as defined in ASC 815. As of June 30, 2018, GenOn recorded $107 million of cash collateral posted on its balance sheet related to fair value of derivative positions, which includes $24 million of collateral posted to NRG, and $83 million posted to other counterparties.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, *Summary of Significant Accounting Policies*, to the Company's 2017 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's financial instruments. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. GenOn is exposed to counterparty credit risk through various activities including wholesale sales and fuel purchases.

Counterparty Credit Risk

The Company's counterparty credit risk policies are disclosed in its 2017 Form 10-K. As of June 30, 2018, the Company's counterparty credit exposure was $34 million and the Company held no collateral (cash and letters of credit) against those positions, resulting in a net exposure of $34 million. Approximately 95% of the Company's exposure before collateral is expected to roll off by the end of 2019. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for GenOn with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market, NPNS and non-derivative transactions. The exposure is shown net of collateral held and includes amounts net of receivables or payables.

Category by Industry Sector	Net Exposure [a] [b] (% of Total)
Utilities, energy merchants, marketers and other	100%
Total as of June 30, 2018	100%

Category by Counterparty Credit Quality	Net Exposure [a] [b] (% of Total)
Investment grade	82%
Non-Investment grade/Non-rated	18
Total as of June 30, 2018	100%

(a) Counterparty credit exposure excludes transportation contracts because of the unavailability of market prices.

(b) The figures in the tables above exclude potential counterparty credit exposure related to RTOs, ISOs, registered commodity exchanges and certain long term contracts.

GenOn has counterparty credit risk exposure to certain counterparties, each of which represents more than 10% of their respective total net exposure discussed above. The aggregate of such counterparties' exposure was $26 million as of June 30, 2018. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, GenOn does not anticipate a material impact on their financial position or results of operations from nonperformance by any of its counterparties.

RTOs and ISOs

The Company participates in the organized markets of CAISO, ISO-NE, MISO, NYISO and PJM, known as RTO or ISOs. Trading in these markets is approved by FERC and includes credit policies that, under certain circumstances, require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. As a result, the counterparty credit risk to these markets is limited to GenOn's share of the overall market and is excluded from the above exposure.

Exchange Traded Transactions

The Company enters into commodity transactions on registered exchanges, notably ICE and NYMEX. These clearinghouses act as the counterparty, and transactions are subject to extensive collateral and margining requirements. As a result, these commodity transactions have limited counterparty credit risk.

Note 6 — *Accounting for Derivative Instruments and Hedging Activities*

This footnote should be read in conjunction with the complete description under Note 6, *Accounting for Derivative Instruments and Hedging Activities*, to the Company's 2017 Form 10-K.

Energy-Related Commodities

As of June 30, 2018, GenOn had energy-related derivative financial instruments extending through 2019.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of GenOn's open derivative transactions broken out by commodity, excluding those derivatives that qualified for the NPNS exception, as of June 30, 2018 and December 31, 2017. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

		Total Volume	
		June 30, 2018	December 31, 2017
Commodity	**Units**	(In millions)	
Coal	Short Ton	1	2
Natural Gas	MMBtu	12	56
Power	MWh	(2)	(7)

The decrease in the natural gas and power positions are due to settlements of generation hedge positions.

Fair Value of Derivative Instruments

The following tables summarize the fair value within the derivative instrument valuation on the balance sheet:

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	(In millions)			
Derivatives Not Designated as Cash Flow Hedges:				
Commodity contracts current	$ 16	$ 15	$ 14	$ 29
Commodity contracts long-term	2	4	3	3
Total Derivatives Not Designated as Cash Flow Hedges	$ 18	$ 19	$ 17	$ 32

The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and do not offset amounts at the counterparty master agreement level. In addition, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. The following tables summarize the offsetting of derivatives by counterparty master agreement level and collateral received or paid:

		Gross Amounts Not Offset in the Statement of Financial Position		
Description	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral Posted	Net Amount
June 30, 2018	(In millions)			
Commodity contracts:				
Derivative assets	$ 16	$ (7)	$ —	$ 9
Derivative assets - affiliate	2	(2)	—	—
Derivative liabilities	(9)	7	1	(1)
Derivative liabilities - affiliate	(8)	2	6	—
Total derivative instruments	$ 1	$ —	$ 7	$ 8

Description	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral Posted	Net Amount
December 31, 2017		(In millions)		
Commodity contracts:				
Derivative assets	$ 17	$ (11)	$ —	$ 6
Derivative assets - affiliate	2	(2)	—	—
Derivative liabilities	(22)	11	10	(1)
Derivative liabilities - affiliate	(10)	2	8	—
Total derivative instruments	$ (13)	$ —	$ 18	$ 5

Impact of Derivative Instruments on the Statements of Operations

Unrealized gains and losses associated with changes in the fair value of derivative instruments are reflected in current period earnings.

During 2017, the Company underwent the process of closing out and financially settling certain open positions with counterparties. The closure and financial settlements with these counterparties were necessary to manage the increases in collateral posting requirements following rating agency downgrades and reduce expected collateral costs associated with exchange cleared hedge transactions.

The following tables summarize the pre-tax effects of economic hedges. These amounts are included within operating revenues and cost of operations.

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2018	2017	2018	2017
Unrealized mark-to-market results				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ (2)	$ (17)	$ 18	$ (2)
Net unrealized gains/(losses) on open positions related to economic hedges	1	40	(3)	37
Total unrealized(losses)/gains	$ (1)	$ 23	$ 15	$ 35

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2018	2017	2018	2017
Revenue from operations — energy commodities	$ —	$ 20	$ 14	$ 30
Cost of operations	(1)	3	1	5
Total impact to statements of operations	$ (1)	$ 23	$ 15	$ 35

Credit Risk Related Contingent Features

Certain of the Company's hedging agreements contain provisions that require the Company to post additional collateral if the counterparty determines that there has been deterioration in credit quality, generally termed "adequate assurance" under the agreements, or require the Company to post additional collateral if there were a one notch downgrade in the Company's credit rating. The collateral required for contracts that have adequate assurance clauses that are in net liability position as of June 30, 2018, was $1 million. As of June 30, 2018, no collateral was required for contracts with credit rating contingent features that are in a net liability position. The Company is also party to certain marginable agreements under which no collateral was due as of June 30, 2018.

See Note 5, *Fair Value of Financial Instruments,* for discussion regarding concentration of credit risk.

Note 7 —*Debt and Capital Leases*

Long-term debt and capital leases consisted of the following:

(In millions, except rates)	June 30, 2018	December 31, 2017	June 30, 2018 interest rate %
GenOn Americas Generation Senior Notes, due 2021	$ —	$ 366	8.500
GenOn Americas Generation Senior Notes, due 2031	—	329	9.125
GenOn Senior Notes, due 2017	691	691	7.875
GenOn Senior Notes, due 2018	649	649	9.500
GenOn Senior Notes, due 2020	490	490	9.875
Other[(a)]	76	129	
GenOn capital lease	1	1	
Less: Liabilities subject to compromise	(1,868)	(2,615)	
Subtotal long-term debt and capital leases (including current maturities)	39	40	
Less: Current maturities	1	1	
Total long-term debt and capital leases	$ 38	$ 39	

(a) Certain payments of the Long Term Service Agreements for the Choctaw and Hunterstown facilities are accounted for as a debt financing liability in accordance with GAAP.

Chapter 11 Cases

On February 1, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make a partial payment in respect of the GAG Administrative Claim, in the amount of $300 million, consisting of $158 million and $142 million to be applied to the outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in respect of the remaining outstanding balance of the GAG Administrative Claim, in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes.

On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

See Note 3, *Chapter 11 Cases*, for further discussion on the payments related to the GenOn and GenOn Americas Generation Senior Notes.

Intercompany Revolver and Letter of Credit Facilities

GenOn was party to a secured intercompany revolving credit agreement with NRG, or the Intercompany Revolver. The Intercompany Revolver provided for a $500 million revolving credit facility, all of which was available for revolving loans and letters of credit. At June 30, 2018 and December 31, 2017, there were $151 million and $125 million, respectively, of loans outstanding under the Intercompany Revolver, which are both recorded as current portion of long-term debt — affiliate on the balance sheet. See Note 9, *Related Party Transactions*, for further discussion.

As part of the Restructuring Support Agreement, NRG agreed to provide GenOn with a letter of credit facility during the pendency of the Chapter 11 Cases, which could be utilized for required letters of credit in lieu of the Intercompany Revolver. On July 27, 2017, the letter of credit facility was terminated. See Note 9, *Related Party Transactions*, for further discussion.

On July 14, 2017, the GenOn Entities obtained a letter of credit facility with Citibank, or the New LC Facility, to finance the working capital needs and for general corporate purposes. The New LC Facility provides availability of up to $300 million less amounts borrowed, and letters of credit provided are required to be cash collateralized at 101% of the letter of credit amount. As of June 30, 2018, there was $5 million of letters of credit issued under this facility. On July 5, 2018, GenOn and Citibank entered into an amendment to the New LC Facility to extend the term of the agreement an additional six months and decrease the exposure amount to $150 million over such extended period.

On June 8, 2018, the REMA Lessors drew down on the existing letters of credit under the Intercompany Revolver, which resulted in borrowings of $26 million. Upon notification, GenOn became obligated under the Intercompany Revolver. The obligation was accounted for as an increase in current portion of long-term debt — affiliate with a corresponding increase in long-term deposits on the Company's condensed consolidated balance sheet as of June 30, 2018. See Note 9, *Related Party Transactions*, for further discussion. On July 2, 2018, REMA directed the indenture trustees to apply the proceeds from the letter of credit draws to the July rent payments for the Keystone and Conemaugh facilities. The forbearance agreements entered into on June 18, 2018 with the owner participants and certificateholders forbear the parties from taking action with respect to the remaining balance of rents for July not covered by the letter of credit draws pertaining to Keystone and Conemaugh.

On July 16, 2018, all borrowings and related interest under the Intercompany Revolver were settled against amounts owed to the Company by NRG, as further discussed in Note 3, *Chapter 11 Cases*, in connection with the NRG Settlement.

GenOn Mid-Atlantic Long-Term Deposits

On January 27, 2017, GenOn Mid-Atlantic entered into an agreement with Natixis Funding Corp., or Natixis, under which Natixis procured payment and credit support for the payment of certain lease payments owed pursuant to the GenOn Mid-Atlantic operating leases for Morgantown and Dickerson, or the Natixis Agreement. GenOn Mid-Atlantic made a payment of $130 million plus fees of $1 million as consideration for Natixis applying for the issuance of, and obtaining, letters of credit from Natixis, New York Branch, the LC Provider, to support the lease payments. The payment was accounted for as a long-term deposit on the Company's condensed consolidated balance sheet prior to June 30, 2017, reflecting the deferred benefit to GenOn Mid-Atlantic of its contractual rights under the Natixis Agreement, including lease payments Natixis had agreed to make thereunder, and notwithstanding that GenOn Mid-Atlantic had made an irrevocable payment to Natixis.

In letters dated February 24, 2017, GenOn Mid-Atlantic received a series of notices from certain of the owner lessors under its operating leases of the Morgantown coal generation units, or Notices, alleging default. The Notices alleged the existence of lease events of default as a result of, among other items, the purported failure by GenOn Mid-Atlantic to comply with a covenant requiring the maintenance of qualifying credit support. The Notices instructed the relevant trustees to draw on letters of credit under the secured intercompany revolving credit agreement between NRG and GenOn. On February 28, 2017, the trustees drew on the letters of credit under NRG's revolving credit facility, which resulted in borrowings of $125 million. Upon notification, GenOn became obligated under the Intercompany Revolver. In addition, a corresponding payable was recorded by GenOn Mid-Atlantic to GenOn, with the offset recorded as a long-term deposit on the Company's condensed consolidated balance sheet as of March 31, 2017 under the related operating leases. On May 5, 2017, GenOn Mid-Atlantic repaid $125 million to GenOn.

On March 7, 2017, GenOn Mid-Atlantic filed a complaint in the Supreme Court for the State of New York against the owner lessors of the Morgantown and Dickerson facilities and U.S. Bank, N.A., or U.S. Bank, in its capacity as the indenture trustee, the GenOn Mid-Atlantic Complaint. The GenOn Mid-Atlantic Complaint sought, *inter alia*, a declaratory judgment that no lease events of default existed and asserted counts for breach of contract, conversion, tortious interference, breach of the implied covenant of good faith and fair dealing, unjust enrichment, constructive trust, and injunctive relief. On June 8, 2017, the owner lessors filed a complaint in the Supreme Court for the State of New York against GenOn Mid-Atlantic and certain of its affiliates, including GenOn and NRG, the Owner Lessor Complaint. The Owner Lessor Complaint asserted ten counts for various fraudulent transfer, contract, and other claims and sought hundreds of millions of dollars in damages.

On June 28, 2017, GenOn Mid-Atlantic directed U.S. Bank in its capacity as the indenture trustee, to apply the $125 million that had been drawn on the letters of credit under NRG's revolving credit facility to the June 30 rent obligations related to the operating leases. In addition, GenOn Mid-Atlantic paid $2.7 million to the owner lessors to satisfy the remaining portion of the June 30 rent obligations. Rather than accept the $125 million already drawn as payment for the June 30 rent obligation, on June 30, 2017, U.S. Bank drew on the Natixis Agreement in the amount of $125 million. At such time, GenOn Mid-Atlantic transferred $125 million of the amount paid under the Natixis Agreement to prepaid rent - non-current in its condensed consolidated balance sheet. These transactions resulted in a dispute with respect to when GenOn Mid-Atlantic had satisfied its June 30 rent obligation. This dispute was resolved in July 2017, with the $125 million drawn on the Natixis Agreement used to satisfy the rent obligation.

As a result of the consummation of the GenMA Settlement, the two actions pending in the Supreme Court of the State of New York were settled as of April 27, 2018. See Note 3, *Chapter 11 Cases*, for further discussion of the GenMA Settlement.

Note 8 — *Income Taxes*

The income tax provision consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
(In millions except otherwise noted)	**2018**	**2017**	**2018**	**2017**
Income/(loss) before income taxes	$ 419	$ 13	$ 532	$ (23)
Income tax expense	16	6	16	7
Effective tax rate	3.8%	46.2%	3.0%	(30.4)%

For the three and six months ended June 30, 2018, GenOn's overall effective tax rate was different than the statutory rate of 21% primarily due to a change in the valuation allowance, partially offset by the impact of state income taxes.

For the three and six months ended June 30, 2017, GenOn's overall effective tax rate was different than the statutory rate of 35% primarily due to the impact of state income taxes.

For the three and six months ended June 30, 2018, GenOn recorded a current income tax payable of $16 million, due to state income taxes as a result of the gain from the recent sale of assets.

Note 9 — *Related Party Transactions*

Services Agreement and Transition Services Agreement with NRG

NRG provides GenOn with various management, personnel and other services, which include human resources, regulatory and public affairs, accounting, tax, legal, information systems, treasury, risk management, commercial operations, and asset management, as set forth in the Services Agreement. The initial term of the Services Agreement was through December 31, 2013, with an automatic renewal absent a request for termination. The fee charged was determined based on a fixed amount as described in the Services Agreement and was calculated based on historical GenOn expenses prior to the NRG Merger. The annual fees under the Services Agreement were approximately $193 million. As described in Note 3, *Chapter 11 Cases*, in connection with the Restructuring Support Agreement, NRG agreed to provide shared services to GenOn under the Services Agreement for an adjusted annualized fee of $84 million.

In December 2017, in conjunction with the confirmation of the Plan, the Services Agreement was terminated and replaced by the transition services agreement. Under the transition services agreement, NRG provides the shared services and other separation services at an annualized rate of $84 million, subject to certain credits and adjustments. GenOn provided notice to NRG of its intent to terminate the shared services under the transition services agreement effective August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. Also, in connection with NRG Settlement, as described in Note 3, *Chapter 11 Cases*, all amounts owed and payable to NRG were settled against the $28 million credit provided for in the Restructuring Support Agreement. NRG is obligated to provide separation and other services that are not shared services after such date, and provide additional services that are necessary for or reasonably related to the operation of GenOn's business after such date subject to NRG's prior written consent, not to be unreasonably withheld. Also in December 2017, GenOn received a $3.5 million credit for services provided under the transition services agreement. For the three and six months ended June 30, 2018, GenOn recorded costs related to these services of $20 million and $39 million, respectively, as general and administrative — affiliate. For the three and six months ended June 30, 2017, GenOn recorded costs related to these services of $40 million and $86 million, as general and administrative — affiliate.

Credit Agreement with NRG

GenOn was party to a secured intercompany revolving credit agreement with NRG, or the Intercompany Revolver. The Intercompany Revolver provided for a $500 million revolving credit facility, all of which was available for revolving loans and letters of credit. At June 30, 2018 and December 31, 2017, $45 million and $92 million, respectively, of letters of credit were issued and outstanding under the NRG credit agreement for GenOn. Additionally, as of June 30, 2018 and December 31, 2017, there were $151 million and $125 million, respectively, of loans outstanding under the Intercompany Revolver, which are both recorded as current portion of long-term debt - affiliate on the balance sheet, as further described in Note 7, *Debt and Capital Leases*. Certain of GenOn's subsidiaries, as guarantors, entered into a guarantee agreement pursuant to which these guarantors guaranteed amounts borrowed and obligations incurred under the credit agreement. The guarantors are restricted from incurring additional liens on certain of their assets. In addition, the Intercompany Revolver contains customary covenants and events of default. As of June 30, 2018, GenOn was in default under the Intercompany Revolver with NRG due to the filing of the Chapter 11 Cases.

As a result of the Chapter 11 Cases, no additional revolving loans or letters of credit are available to GenOn under the Intercompany Revolver. In addition, NRG agreed to provide GenOn with a letter of credit facility during the pendency of the Chapter 11 Cases, which could be utilized for required letters of credit in lieu of the Intercompany Revolver. The letter of credit facility provided availability of up to $330 million less amounts borrowed and letters of credit provided were required to be cash collateralized at 103% of the letter of credit amount. On July 27, 2017, this letter of credit facility was terminated as GenOn obtained a separate letter of credit facility with Citibank, as discussed in Note 7, *Debt and Capital Leases*.

On June 8, 2018, the REMA Lessors drew down on the existing letters of credit under the Intercompany Revolver, which resulted in borrowings of $26 million. See Note 7, *Debt and Capital Leases*, for further discussion. On July 16, 2018, all borrowings and related interest under the Intercompany Revolver were settled against amounts owed to the Company by NRG, as further discussed in Note 3, *Chapter 11 Cases*, in connection with the NRG Settlement.

Note 10 — *Commitments and Contingencies*

This footnote should be read in conjunction with the complete description under Note 15, *Commitments and Contingencies*, to the Company's 2017 Form 10-K.

Contingencies

The Company's material legal proceedings are described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. GenOn records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. As applicable, the Company has established an adequate reserve for the matters discussed below. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, the Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of the Company's liabilities and contingencies could be at amounts that are different from their currently recorded reserves and that such difference could be material.

In addition to the legal proceedings noted below, GenOn and its subsidiaries are party to other litigation or legal proceedings arising in the ordinary course of business. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect GenOn's consolidated financial position, results of operations, or cash flows.

GenOn Chapter 11 Cases — On the Petition Date, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. As a result of such bankruptcy filings, substantially all proceedings pending against the GenOn Entities have been stayed by operation of Section 362(a) of the Bankruptcy Code. Under the Restructuring Support Agreement to which the GenOn Entities, NRG and certain of GenOn's senior unsecured noteholders are parties, each of them supported the Bankruptcy Court's approval of the Plan. GenOn has a customary "fiduciary out" under the Restructuring Support Agreement. If the Plan is not consummated, GenOn may not be entitled to the benefits of the Settlement Agreement provided under the Restructuring Support Agreement and it will remain subject to any claims of NRG and the noteholders, including claims relating to or arising out of any shared services and any other relationships or transactions between the companies. See Note 3, *Chapter 11 Cases*, for additional information. The GenOn Entities are in the process of evaluating claims submitted in connection with the Chapter 11 Cases to determine the validity of such claims but have not yet finished their assessment of valid claims and are currently unable to determine the amount of such claims.

Actions Pursued by MC Asset Recovery — With Mirant Corporation's emergence from bankruptcy protection in 2006, certain actions filed by GenOn Energy Holdings and some of its subsidiaries against third parties were transferred to MC Asset Recovery, a wholly owned subsidiary of GenOn Energy Holdings. MC Asset Recovery is governed by a manager who is independent of NRG and GenOn. MC Asset Recovery is a disregarded entity for income tax purposes. Under the remaining action transferred to MC Asset Recovery, MC Asset Recovery sought to recover damages from Commerzbank AG and various other banks, or the Commerzbank Defendants, for alleged fraudulent transfers that occurred prior to Mirant's bankruptcy proceedings. In December 2010, the U.S. District Court for the Northern District of Texas dismissed MC Asset Recovery's complaint against the Commerzbank Defendants. In January 2011, MC Asset Recovery appealed the District Court's dismissal of its complaint against the Commerzbank Defendants to the U.S. Court of Appeals for the Fifth Circuit, or the Fifth Circuit. In March 2012, the Fifth Circuit reversed the District Court's dismissal and reinstated MC Asset Recovery's amended complaint against the Commerzbank Defendants. On December 10, 2015, the District Court granted summary judgment in favor of the Commerzbank Defendants. On December 29, 2015, MC Asset Recovery filed a notice to appeal this judgment with the Fifth Circuit. On June 1, 2017, the Fifth Circuit affirmed the District Court's judgment. On June 12, 2017, MC Asset Recovery petitioned the Fifth Circuit for rehearing. The petition for rehearing was denied and a court order and judgment affirming the District Court's judgments was entered on July 17, 2017. On October 17, 2018, the bankruptcy court is scheduled to hear a Motion for a Final Decree to close the Mirant bankruptcy case.

Natural Gas Litigation — GenOn has been a party to several lawsuits, certain of which are class action lawsuits, in state and federal courts, of which four remain pending involving plaintiffs in Kansas, Missouri and Wisconsin. These lawsuits were filed in the aftermath of the California energy crisis in 2000 and 2001 and the resulting FERC investigations and relate to alleged conduct to increase natural gas prices in violation of state antitrust law and similar laws. The lawsuits seek treble or punitive damages, restitution and/or expenses. The lawsuits also name as parties a number of energy companies unaffiliated with GenOn. In July 2011, the U.S. District Court for the District of Nevada, which was handling four of the five cases, granted the defendants' motion for summary judgment and dismissed all claims against GenOn in those cases. The plaintiffs appealed to the U.S. Court of Appeals for the Ninth Circuit, or the Ninth Circuit, which reversed the decision of the District Court. GenOn along with the other defendants in the lawsuit filed a petition for a writ of certiorari to the U.S. Supreme Court challenging the Ninth Circuit's decision and the U.S. Supreme Court granted the petition. On April 21, 2015, the U.S. Supreme Court affirmed the Ninth Circuit's holding that plaintiffs' state antitrust law claims are not field-preempted by the federal Natural Gas Act and the Supremacy Clause of the U.S. Constitution. The U.S. Supreme Court left open whether the claims were preempted on the basis of conflict preemption. The U.S. Supreme Court directed that the case be remanded to the U.S. District Court for the District of Nevada for further proceedings.

On March 7, 2016, class plaintiffs filed their motions for class certification. On March 30, 2017, the court denied the plaintiffs' motions for class certification, which the plaintiffs appealed to. The plaintiffs petitioned the Ninth Circuit for interlocutory review. On July 12, 2018, the Ninth Circuit heard oral arguments and the case is under submission pending a decision.

On February 26, 2018, GenOn filed objections to the proofs of claim filed in the Chapter 11 Cases by all of the plaintiffs in each of the four cases. GenOn filed that same day a motion asking the Bankruptcy Court to estimate all of the proofs of claim at zero dollars, to which the plaintiffs objected. The Bankruptcy Court denied the plaintiffs' objection, ruling that it had the authority to consider GenOn's objections to the proofs of claim and to estimate the claims, but has certified its decision for review by either the Fifth Circuit Court of Appeals or the District Court.

In June 2018, GenOn reached a settlement with plaintiffs in three of the four remaining suits, which leaves only the one purported class action involving plaintiffs in Wisconsin. CenterPoint Energy Services is a defendant in that case, and GenOn has agreed to indemnify CenterPoint against certain losses relating to the lawsuit. The Nevada District Judge granted summary judgment in favor of CenterPoint in that lawsuit, and the plaintiffs appealed that decision to the Ninth Circuit. The appeal was argued on February 16, 2018, and the case is under submission pending a decision.

Mirant Chapter 11 Proceedings — In July 2003, and various dates thereafter, the Mirant Debtors filed voluntary petitions in the U.S. Bankruptcy Court for the Northern District of Texas, Fort Worth Division, for relief under Chapter 11 of the Bankruptcy Code. GenOn Energy Holdings and most of the other Mirant Debtors emerged from bankruptcy on January 3, 2006, when the plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection, or the Mirant Plan, became effective. The remaining Mirant Debtors emerged from bankruptcy on various dates in 2007. Approximately 461,000 of the shares of GenOn Energy Holdings common stock to be distributed under the Mirant Plan have not yet been distributed and have been reserved for distribution with respect to claims disputed by the Mirant Debtors that have not been resolved. Upon the Mirant/RRI Merger, those reserved shares converted into a reserve for approximately 1.3 million shares of GenOn common stock. Upon the NRG Merger, those reserved shares converted into a reserve for approximately 159,000 shares of NRG common stock. Under the terms of the Mirant Plan, upon the resolution of such a disputed claim, the claimant will receive the same pro rata distributions of common stock, cash, or both as previously allowed claims, regardless of the price at which the common stock is trading at the time the claim is resolved. If the aggregate amount of any such payouts results in the number of reserved shares being insufficient, additional shares of common stock may be issued to address the shortfall. On October 17, 2018, the bankruptcy court is scheduled to hear a Motion for a Final Decree to close the Mirant bankruptcy case.

Potomac River Environmental Investigation — In March 2013, NRG Potomac River LLC, a subsidiary of GenOn, received notice that the District of Columbia Department of Environment (now renamed the Department of Energy and Environment, or DOEE) was investigating potential discharges to the Potomac River originating from the Potomac River Generating facility site, a site where the generation facility is no longer in operation. In connection with that investigation, DOEE served a civil subpoena on NRG Potomac River LLC requesting information related to the site and potential discharges occurring from the site. NRG Potomac River LLC provided various responsive materials. In January 2016, DOEE advised NRG Potomac River LLC that DOEE believed various environmental violations had occurred as a result of discharges DOEE believes occurred to the Potomac River from the Potomac River Generating facility site and as a result of associated failures to accurately or sufficiently report such discharges. DOEE has indicated it believes that penalties are appropriate in light of the violations. NRG Potomac River LLC is currently reviewing the information provided by DOEE.

GenOn Noteholders' Lawsuit — On December 13, 2016, certain indenture trustees for an ad hoc group of holders, or the Noteholders, of the GenOn Energy, Inc. 7.875% Senior Notes due 2017, 9.500% Notes due 2018, and 9.875% Notes due 2020, and the GenOn Americas Generation, LLC 8.50% Senior Notes due 2021 and 9.125% Senior Notes due 2031, or collectively, the GenOn Notes, along with certain of the Noteholders, filed a complaint in the Superior Court of the State of Delaware against NRG and GenOn alleging certain claims related to a services agreement between NRG and GenOn. Plaintiffs generally seek recovery of all monies paid under the services agreement and any other damages that the court deems appropriate. On February 3, 2017, the court entered an order approving a Standstill Agreement whereby the parties agreed to suspend all deadlines in the case until March 1, 2017. The Standstill Agreement terminated on March 1, 2017. On April 30, 2017, the Noteholders filed an amended complaint that asserts (i) additional fraudulent transfer claims in relation to GenOn's sale of the Marsh Landing project to NRG Yield LLC, (ii) alleged breaches of fiduciary duty by certain current and former officers and directors of GenOn in relation to the management services agreement and the alleged usurpation of corporate opportunities concerning the Mandalay and Canal projects and (iii) claims against NRG for allegedly aiding and abetting such claimed breaches of fiduciary duties. In addition to NRG and GenOn, the amended complaint names NRG Yield LLC and certain current and former officers and directors of GenOn as defendants. The plaintiffs generally seek recovery of all monies paid under the services agreement and any other damages that the court deems appropriate. On March 31, 2017, NRG and GenOn filed separate motions to dismiss the complaint, but such motions are superseded by the amended complaint. On June 19, 2017, the GenOn Entities gave notice that the filing of their respective voluntary petitions for relief under Chapter 11 had given rise to a stay under the Bankruptcy Code. On June 20, 2017, the court moved this lawsuit from the active docket to the bankruptcy docket. On December 14, 2017, a settlement agreement was entered into between GenOn and NRG which should ultimately resolve this lawsuit. On April 27, 2018, the GenMA settlement was entered into by the parties. See Note 3, *Chapter 11 Cases*, for further discussion of the GenMA settlement.

Natixis v. GenOn Mid-Atlantic — On February 16, 2018, Natixis Funding Corp. and Natixis, New York Branch filed a complaint in the Supreme Court of the State of New York against GenOn Mid-Atlantic, the owner lessors under GenOn Mid-Atlantic's operating leases of the Dickerson and Morgantown coal generation units, and the lease indenture trustee under those leases. The plaintiffs' allegations against GenOn Mid-Atlantic relate to a payment agreement between GenOn Mid-Atlantic and Natixis Funding Corp. to procure credit support for the payment of certain lease payments owed pursuant to the GenOn Mid-Atlantic operating leases for Morgantown and Dickerson. The plaintiffs seek approximately $34 million in damages arising from GenOn Mid-Atlantic's purported breach of certain warranties in the payment agreement. On April 2, 2018, GenOn Mid-Atlantic removed the allegations against it to the U.S. District Court for the Southern District of New York. On April 11, 2018, the U.S. District Court for the Southern District of New York entered a briefing schedule on a forthcoming motion to remand by Natixis Funding Corp. and a forthcoming motion to transfer by GenOn Mid-Atlantic. On April 26, 2018, Natixis Funding Corp. filed its motion to remand. On May 31, 2018, GenOn Mid-Atlantic opposed the motion to remand and filed a cross-motion to transfer. The parties completed briefing on the motions to remand and transfer on July 9, 2018, and the U.S. District Court for the Southern District of New York held an oral argument on July 18, 2018 and continued the motions to a subsequent conference scheduled for September 26, 2018.

Note 11 — *Regulatory Matters*

This footnote should be read in conjunction with the complete description under Note 16, *Regulatory Matters*, to the Company's 2017 Form 10-K.

GenOn operates in a highly regulated industry and are subject to regulation by various federal and state agencies. As such, GenOn is affected by regulatory developments at both the federal and state levels and in the regions in which they operate. In addition, GenOn is subject to the market rules, procedures, and protocols of the various ISO and RTO markets in which they participate. These power markets are subject to ongoing legislative and regulatory changes that may impact GenOn's wholesale business.

In addition to the regulatory proceedings noted below, GenOn and its subsidiaries are parties to other regulatory proceedings arising in the ordinary course of business or have other regulatory exposure. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect GenOn's respective consolidated financial position, results of operations, or cash flows.

Zero-Emission Credits for Nuclear Plants in Illinois — In 2016, Illinois enacted a Zero Emission Credit, or ZEC, program for selected nuclear units in Illinois. In total, the program directs over $2.5 billion over ten years to two Exelon-owned nuclear power plants in Illinois. These ZECs are out-of-market subsidies that threaten to artificially suppress market prices and interfere with the wholesale power market. On February 14, 2017, certain companies filed a complaint in the U.S. District Court for the Northern District of Illinois alleging that the state program is preempted by federal law and in violation of the dormant commerce clause. On July 14, 2017, Defendants' motions to dismiss were granted. On July 17, 2017, certain companies filed a notice of appeal to the U.S. Court of Appeals for the Seventh Circuit. Briefing is complete. On May 29, 2018, the United States filed an amicus brief at the invitation of the Seventh Circuit arguing that the ZEC program is not preempted.

Zero-Emission Credits for Nuclear Plants in New York — On August 1, 2016, the NYSPSC issued its Clean Energy Standard, or CES, which provided for ZECs which would provide more than $7.6 billion over 12 years in out-of-market subsidy payments to certain selected nuclear generating units in the state. These ZECs are out-of-market subsidies that threaten to artificially suppress market prices and interfere with the wholesale power market. On October 19, 2016, certain companies filed a complaint in the U.S. District Court for the Southern District of New York, challenging the validity of the NYSPSC action and the ZEC program. On July 25, 2017, Defendants' motions to dismiss were granted. On August 24, 2017, certain companies filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit. Briefing is complete. On May 29, 2018, the United States filed an amicus brief at the invitation of the Seventh Circuit arguing that the ZEC program is not preempted.

State Out-Of-Market Subsidy Proposals — Certain states including Connecticut, New Jersey, Ohio and Pennsylvania have considered but have not enacted proposals to provide out-of-market subsidy payments to potentially uneconomic nuclear and fossil generating units. The Company has opposed those efforts to provide out of market subsidies, and intend to continue opposing them in the future.

Department of Energy's Proposed Grid Resiliency Pricing Rule and Subsequent FERC Proceeding — On September 29, 2017, the Department of Energy issued a proposed rulemaking titled the "Grid Resiliency Pricing Rule." The rulemaking directs FERC to take action to reform the ISO/RTO markets to value certain reliability and resiliency attributes of electric generation resources. On October 2, 2017, FERC issued a notice inviting comments. On October 4, 2017, FERC staff issued a series of questions requesting commenters to address. On October 23, 2017, comments were filed encouraging FERC to act expeditiously to modernize energy and capacity markets in a manner compatible with robust competitive markets. On January 8, 2018, FERC terminated the proposed rulemaking and opened a new proceeding asking each ISO/RTO to address specific questions focused on grid resilience. On March 9, 2018, the ISOs/RTOs filed comments to the questions posed by FERC. The Company responded on May 9, 2018 and is currently awaiting a decision from FERC.

Montgomery County Station Power Tax — On December 20, 2013, GenOn received a letter from Montgomery County, Maryland requesting payment of an energy tax for the consumption of station power at the Dickerson Facility over the previous three years. Montgomery County seeks payment in the amount of $22 million, which includes tax, interest and penalties. GenOn disputed the applicability of the tax. On December 11, 2015, the Maryland Tax Court reversed Montgomery County's assessment. Montgomery County filed an appeal, and on February 2, 2017, the Montgomery County Circuit Court affirmed the decision of the tax court. On February 17, 2017, Montgomery County filed an appeal to the Court of Special Appeals of Maryland. On April 24, 2018, the Court of Special Appeals of Maryland affirmed the lower court's decision and on May 29, 2018, Montgomery County petitioned the Court of Appeals of Maryland to issue a writ of certiorari to review that decision. GenOn filed an answer opposing the petition on June 18, 2018. The petition is currently pending before the Court of Appeals of Maryland.

Note 12 — *Environmental Matters*

This footnote should be read in conjunction with the complete description under Note 17, *Environmental Matters*, to the Company's 2017 Form 10-K.

GenOn is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power plants. The electric generation industry has been facing requirements regarding GHGs, combustion byproducts, water discharge and use, and threatened and endangered species that have been put in place in recent years. However, under the current U.S. presidential administration some of these rules are being reconsidered and reviewed. In general, future laws are expected to require the addition of emissions controls or other environmental controls or to impose certain restrictions on the operations of the Company's facilities, which could have a material effect on the Company's consolidated financial position, results of operations, or cash flows. Federal and state environmental laws generally have become more stringent over time, although this trend could slow or pause in the near term with respect to federal laws under the current U.S. presidential administration.

Air

The EPA finalized CSAPR in 2011, which was intended to replace CAIR in January 2012, to address certain states' obligations to reduce emissions so that downwind states can achieve federal air quality standards. In December 2011, the D.C. Circuit stayed the implementation of CSAPR and then vacated CSAPR in August 2012 but kept CAIR in place until the EPA could replace it. In April 2014, the U.S. Supreme Court reversed and remanded the D.C. Circuit's decision. In October 2014, the D.C. Circuit lifted the stay of CSAPR. In response, the EPA in November 2014 amended the CSAPR compliance dates. Accordingly, CSAPR replaced CAIR on January 1, 2015. On July 28, 2015, the D.C. Circuit held that the EPA had exceeded its authority by requiring certain reductions that were not necessary for downwind states to achieve federal standards. Although the D.C. Circuit kept the rule in place, the court ordered the EPA to revise the Phase 2 (or 2017) (i) SO_2 budgets for four states and (ii) ozone-season NO_x budgets for 11 states including Maryland, New Jersey, New York, Ohio and Pennsylvania. On October 26, 2016, the EPA finalized the CSAPR Update Rule, which reduces future NOx allocations and discounts the current banked allowances to account for the more stringent 2008 Ozone NAAQS and to address the D.C. Circuit's July 2015 decision. This rule has been challenged in the D.C. Circuit. The Company believes its investment in pollution controls and cleaner technologies leave the fleet well-positioned for compliance.

Water

In August 2014, the EPA finalized the regulation regarding the use of water for once through cooling at existing facilities to address impingement and entrainment concerns. GenOn anticipates that more stringent requirements will be incorporated into some of its water discharge permits over the next several years as NPDES permits are renewed.

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, or FGD, fly ash, bottom ash, and flue gas mercury control. In April 2017, the EPA granted two petitions to reconsider the rule and also administratively stayed some of the deadlines. On September 18, 2017, the EPA promulgated a final rule that (i) postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking and (ii) withdrew the April 2017 administrative stay. The legal challenges have been suspended while the EPA reconsiders and likely modifies the rule. Accordingly, the Company has largely eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. The Company will revisit these estimates after the rule is revised.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. The EPA has stated that it intends to further revise the rule.

Note 13 — *Debtors' Financial Information*

The financial information below represents the Debtor Entities condensed combined financial statements for the three and six months ended June 30, 2018 and the period from June 14, 2017 through June 30, 2017. The following represent the entities included in the GenOn Entities, or the GenOn Energy, Inc. Debtors:

GenOn Americas Generation, LLC
GenOn Americas Procurement, Inc.
GenOn Asset Management, LLC
GenOn Capital Inc.
GenOn Energy Holdings, Inc.
GenOn Energy Management, LLC
GenOn Energy Services, LLC
GenOn Energy, Inc.
GenOn Fund 2001 LLC
GenOn Mid-Atlantic Development, LLC
GenOn Power Operating Services MidWest, Inc.
GenOn Special Procurement, Inc.
Hudson Valley Gas Corporation
Mirant Asia-Pacific Ventures, LLC
Mirant Intellectual Asset Management and Marketing, LLC
Mirant International Investments, Inc.
Mirant New York Services, LLC
Mirant Power Purchase, LLC
Mirant Wrightsville Investments, Inc.
Mirant Wrightsville Management, Inc.
MNA Finance Corp.
NRG Americas, Inc.
NRG Bowline LLC
NRG California North LLC
NRG California South GP LLC
NRG California South LP
NRG Canal LLC
NRG Delta LLC
NRG Florida GP, LLC
NRG Florida LP
NRG Lovett Development I LLC
NRG Lovett LLC
NRG New York LLC
NRG North America LLC
NRG Northeast Generation, Inc.
NRG Northeast Holdings, Inc.
NRG Potrero LLC
NRG Power Generation Assets LLC
NRG Power Generation LLC
NRG Power Midwest GP LLC
NRG Power Midwest LP
NRG Sabine (Delaware), Inc.
NRG Sabine (Texas), Inc.
NRG San Gabriel Power Generation LLC
NRG Tank Farm LLC
NRG Wholesale Generation GP LLC
NRG Wholesale Generation LP
NRG Willow Pass LLC
Orion Power New York GP, Inc.
Orion Power New York LP, LLC
Orion Power New York, L.P.
RRI Energy Broadband, Inc.
RRI Energy Channelview (Delaware) LLC
RRI Energy Channelview (Texas) LLC
RRI Energy Channelview LP
RRI Energy Communications, Inc.
RRI Energy Services Channelview LLC
RRI Energy Services Desert Basin, LLC
RRI Energy Services, LLC
RRI Energy Solutions East, LLC
RRI Energy Trading Exchange, Inc.
RRI Energy Ventures, Inc.

GenOn Energy, Inc. Debtors
Supplemental Condensed Combined Statements of Operations
(Unaudited)

	Three months ended June 30, 2018	Six months ended June 30, 2018
	(In millions)	
Total operating revenues	$ 408	$ 978
Total operating costs and expenses	393	878
Gain on sale of assets	433	433
Operating Income	448	533
Other Income/(Expense)		
Total other (expense)/income	(39)	22
Income Before Reorganization Items and Income Taxes	409	555
Reorganization items, net	10	(23)
Income Before Income Taxes	419	532
Income tax expense	16	16
Net Income	$ 403	$ 516

GenOn Energy, Inc. Debtors
Supplemental Condensed Combined Statement of Operations
Period from June 14, 2017 through June 30, 2017
(Unaudited)

	(In millions)
Total operating revenues	$ 94
Total operating costs and expenses	66
Operating Income	28
Other Expense	
Total other expense	(1)
Income Before Reorganization Items and Income Taxes	27
Reorganization items, net	103
Income Before Income Taxes	130
Income tax	—
Net Income	$ 130

The condensed combined comprehensive income for GenOn Energy, Inc. Debtors is equal to the condensed combined net income for the three and six months ended June 30, 2018 and for the period from June 14, 2017 through June 30, 2017.

GenOn Energy, Inc. Debtors

Supplemental Condensed Combined Balance Sheets

	June 30, 2018	December 31, 2017
	(unaudited)	
	(In millions)	
ASSETS		
Cash and cash equivalents	$ 728	$ 581
Restricted cash	1	1
Accounts receivable	106	113
Accounts receivable — affiliate	705	661
Prepaid rent and other current assets	854	883
Total current assets	2,394	2,239
Property, plant and equipment, net	670	1,251
Investment in subsidiaries	(591)	(570)
Notes receivable — affiliate	565	544
Other non-current assets	157	128
Total Assets	$ 3,195	$ 3,592
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current portion of long-term debt	$ 1	$ 1
Current portion of long-term debt — affiliate	151	125
Accounts payable	38	62
Accrued expenses and other current liabilities	124	133
Total current liabilities	314	321
Liabilities subject to compromise	2,072	2,840
Long-term debt	37	38
Other non-current liabilities	179	318
Total Liabilities	2,602	3,517
Stockholder's equity	593	75
Total Liabilities and Stockholder's Equity	$ 3,195	$ 3,592

GenOn Energy, Inc. Debtors

Supplemental Condensed Combined Statements of Cash Flows

(Unaudited)

	Six months ended June 30, 2018	Period from June 14, 2017 through June 30, 2017
	(In millions)	
Net cash (used)/provided by operating activities	$ (12)	$ 22
Net cash provided by investing activities	822	—
Net cash used by financing activities	(663)	—
Net increase in cash, cash equivalents and restricted cash	147	22
Cash, cash equivalents and restricted cash at beginning of period	582	484
Cash, cash equivalents and restricted cash at end of period	$ 729	$ 506

Item 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As you read this discussion and analysis, refer to the GenOn's Condensed Consolidated Financial Statements to this Form 10-Q, which present the results of operations for the three and six months ended June 30, 2018 and 2017. Also, refer to the Company's 2017 Form 10-K, which includes detailed discussions of various items impacting the Company's business, results of operations and financial condition.

Overview

The following table summarizes GenOn's generation portfolio as of June 30, 2018:

Generation Type	(In MW)[a]
Natural gas [b][c][d]	7,338
Coal	4,188
Oil [e]	735
Total generation capacity	12,261

(a) MW figures provided represent nominal summer net MW capacity of power generated as adjusted for the Company's owned or leased interest excluding capacity from inactive/mothballed units.
(b) On February 28, 2018, GenOn notified the CPUC and CAISO of its intent to retire Etiwanda by June 1, 2018, Ormond Beach by October 1, 2018 and Ellwood by January 1, 2019, collectively 2,210 MW. GenOn retired Etiwanda on June 1, 2018, representing 640 MW. On July 26, 2018, CAISO received authorization to negotiate reliability must-run agreements at Ellwood and one unit at Ormond Beach to meet local reliability needs in 2019.
(c) GenOn retired Mandalay on February 6, 2018, representing 560 MW.
(d) On June 1, 2018, GenOn completed the sale of Hunterstown, representing 810 MW.
(e) On June 29, 2018, GenOn completed the sale of Canal Units 1 and 2, representing 1,112 MW.

Chapter 11 Cases

On the Petition Date, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, or the Chapter 11 Cases. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA, and certain other subsidiaries, did not file for relief under Chapter 11.

The GenOn Entities remain in possession of their property and continue their business operations in the ordinary course uninterrupted as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. See Note 3, *Chapter 11 Cases* for more information on the Chapter 11 Cases.

On June 29, 2017, the GenOn Entities filed the Plan and the Disclosure Statement with the Bankruptcy Court consistent with the Restructuring Support Agreement. On September 18, 2017 and October 2, 2017, the GenOn Entities filed amendments to the Plan and the Disclosure Statement, which primarily provided the GenOn Entities with the flexibility to complete sales of certain assets pursuant to the Plan, as amended, and removed the GenOn Entities' requirement to conduct a rights offering in connection with the GenOn Entities' exit financing. On or about October 6, 2017, the Debtors commenced solicitation of the Plan.

On October 31, 2017, the GenOn Entities announced that they entered into a Consent Agreement with certain holders of GenOn's Senior Notes and GenOn Americas Generation's Senior Notes, collectively, the Consenting Holders, whereby the GenOn Entities and the Consenting Holders agreed to extend the milestones in the Restructuring Support Agreement, by which the Plan must become effective, or the Effective Date. Specifically, the Consent Agreement extends the Effective Date milestone to June 30, 2018 or September 30, 2018, if regulatory approvals are still pending, or the Extended Effective Dates.

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan, and effective December 12, 2017, GenOn and NRG entered into agreements concerning (i) timeline and transition, (ii) cooperation and co-development matters, (iii) post-employment and retiree health and welfare benefits and pension benefits, (iv) tax matters, and (v) intercompany balances and releases, consistent with the Restructuring Support Agreement, which among other things, provide for the transition of GenOn to a standalone enterprise, the resolution of substantial intercompany claims between GenOn and NRG, and the allocation of certain costs and liabilities between GenOn and NRG. On December 12, 2017, the Bankruptcy Court also entered an order giving effect to the Consent Agreement.

The Bankruptcy Court order confirming the Plan also approved the settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders, or the GenMA Settlement, and directed the settlement parties to cooperate in good faith to negotiate definitive documentation consistent with the GenMA Settlement term sheet in order to pursue consummation of the GenMA Settlement. The definitive documentation consummating the GenMA Settlement was finalized and effective as of April 27, 2018.

Certain terms of the compromise reflected by the definitive documentation implementing the GenMA Settlement are as follows, as qualified by the applicable definitive documentation:

- settlement of all pending litigation with the Owner Lessor Plaintiffs (as defined in the Plan), including two actions pending in the Supreme Court of the State of New York, and the release of certain claims and causes of action by and among NRG, GenOn Mid-Atlantic, the Owner Lessor Plaintiffs and certain of their respective related parties;
- cash redemption or purchase of certain outstanding lessor notes/pass-through certificates, funded by (i) GenOn Mid-Atlantic cash on hand; (ii) proceeds from a J.P. Morgan letter of credit draw; and (iii) a $20.0 million subordinated loan by GenOn to GenOn Mid-Atlantic;
- NRG caused a letter of credit to be issued in the amount of $37.5 million as credit support to GenOn Mid-Atlantic, in respect of GenOn Mid-Atlantic's rent obligations;
- GenOn retained $125.0 million from the pre-petition transfer from GenOn Mid-Atlantic on account of the J.P. Morgan letter of credit draw and all proceeds of NRG's settlement payment of approximately $261.3 million to GenOn in connection with the NRG Settlement, subject to setoff as further discussed below, to fully settle the disputes existing between such parties and their respective affiliates;
- Debt and lien covenants will permit a secured working capital facility in an amount not to exceed $75.0 million, which GenOn Mid-Atlantic will use commercially reasonable efforts to obtain; and
- GenOn Mid-Atlantic will have one independent director appointed by the Owner Lessor Plaintiffs.

NRG Settlement

On July 13, 2018, the Bankruptcy Court entered an order approving certain modifications to the Settlement Agreement entered into by the GenOn Entities and NRG on December 14, 2017, to enable consummation of the NRG Settlement, as defined in the Plan, and settle the disputes existing between such parties. Certain of the modifications are as follows:

- NRG and GenOn agreed to waive any unsatisfied conditions precedent to the Settlement Agreement and consummate such agreement no later than July 16, 2018;
- NRG agreed to assign its $8.4 million historical claim against REMA, in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement;
- GenOn posted a $10.0 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG until REMA has provided NRG a release;
- GenOn will use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; and
- The shared services under the transition services agreement between GenOn and NRG will be deemed terminated as of August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. NRG will have no obligation to provide any shared services under the transition services agreement, with the sole exception of payroll services, beyond August 15, 2018.

On July 16, 2018, GenOn and NRG consummated the NRG Settlement and certain transactions were settled and paid, including the settlement consideration of $261.3 million and the transition services credit of $28 million owed by NRG to GenOn, offset by the $151 million in borrowings under the Intercompany Revolver, along with related accrued interest of $12 million and certain other balances owed by GenOn to NRG, including fees accrued for services provided under the Services Agreement. In connection with the settlement, GenOn received approximately $125 million of net proceeds from NRG, subject to post-closing adjustments, and posted a $10 million letter of credit to NRG. Other than those obligations which survive or are independent of the releases described herein, the NRG Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

Regulatory Matters

The Company's regulatory matters are described in the Company's 2017 Form 10-K in Item 1, Business — *Regulatory Matters.* These matters have been updated below and in Note 11, *Regulatory Matters,* to the Condensed Consolidated Financial Statements of this Form 10-Q.

As owners of power plants and participants in wholesale energy markets, certain of GenOn's subsidiaries are subject to regulation by various federal and state government agencies. These include the CFTC and FERC, as well as other public utility commissions in certain states where GenOn's generating assets are located. In addition, GenOn is subject to the market rules, procedures and protocols of the various ISO markets in which they participate. GenOn must also comply with the mandatory reliability requirements imposed by NERC and the regional reliability entities in the regions where they operate.

PJM

2021/2022 PJM Auction Results — On May 23, 2018, PJM announced the results of its 2021/2022 base residual auction. GenOn cleared approximately 7,706 MW of Capacity Performance product. GenOn's expected capacity revenues from the base residual auction for the 2021/2022 delivery year are approximately $410 million. For results of the 2020/2021 PJM base residual auction, refer to Item 1 - *Business* of GenOn's 2017 Form 10-K.

The table below provides a detailed description of GenOn's base residual auction result:

	Capacity Performance Product	
Zone	Cleared Capacity (MW)	Price ($/MW-day)
EMAAC	594	$165.73
MAAC	1,405	$140.00
PEPCO	4,081	$140.00
ATSI	908	$171.33
RTO	718	$140.00
Total	7,706	

Capacity Market Reforms Filing — On April 9, 2018, PJM filed with FERC two capacity market reform proposals in one filing attempting to address market impacts created by out-of-market subsidies. PJM proposed a capacity re-pricing proposal as its preferred option to accommodate state subsidies in the wholesale market. In the alternative, PJM proposes extending its MOPR to existing resources, along with other changes. On June 29, 2018, FERC issued an order rejecting both of the PJM proposals. Instead, FERC found the existing PJM tariff unjust and unreasonable, and initiated a new proceeding to develop a just and reasonable outcome. Among other things, FERC directed PJM to adopt a minimum price rule that would apply to all subsidized resources, including nuclear and renewable resources. Additionally, FERC directed PJM to consider whether to allow state regulators to remove equal amounts of subsidized generation and load from the capacity market. FERC established a briefing schedule and committed to issuing a final order in early 2019 for implementation for next year’s BRA.

Complaints Related to Extension of Base Capacity — In 2015, FERC approved changes to PJM's capacity market, which included moving from the Base Capacity product to the higher performance Capacity Performance product over the course of a five year transition. Under this transition, as of the May 2017 BRA, the Base Capacity product will no longer be available. Several parties have filed complaints at FERC seeking to maintain the RPM Base Capacity product for at least one more delivery year or until such time as PJM develops a model for seasonal resources to participate. On February 23, 2018, FERC issued an Order scheduling a technical conference. Multiple parties filed for rehearing. FERC issued a notice for technical conference that took place on April 24, 2018 and received post-technical conference comments on July 13, 2018. The outcome of this proceeding could have a material impact on future PJM capacity prices.

New York

Independent Power Producers of New York (IPPNY) Complaint — On January 9, 2017, EPSA requested FERC to promptly direct the NYISO to file tariff provisions to address pending market concerns related to out-of-market payments to existing generation in the NYISO. This request was prompted by the ZEC program initiated by the NYSPSC. This request follows IPPNY's complaint at FERC against the NYISO on May 10, 2013, as amended on March 25, 2014. On April 5, 2018, EPSA filed a motion for renewed request for expedited action on the MOPR. The generators asked FERC to direct the NYISO to require that capacity from existing generation resources that would have exited the market but for out-of-market payments be mitigated. Failure to implement buyer-side mitigation measures could result in uneconomic entry, which artificially decreases capacity prices below competitive market levels.

MISO

Revisions to MISO Capacity Construct - On February 28, 2018, FERC issued two orders on MISO's capacity market design, which together, re-affirm MISO's existing capacity market structure. FERC also held that, even though there was a period of time between where MISO's capacity market structure may not have just and reasonable, FERC exercised its remedial authority not to rerun past auctions. On March 30, 2018, the Company filed a motion for rehearing with FERC. The eventual outcome of this proceeding will affect capacity prices in MISO and the incentive for generators in MISO to sell capacity into neighboring markets.

General

State Out-Of-Market Subsidy Proposals — Certain states including Connecticut, New Jersey, Ohio and Pennsylvania have considered but have not enacted proposals to provide out-of-market subsidy payments to potentially uneconomic nuclear and fossil generating units. The Company has opposed those efforts to provide out of market subsidies, and intends to continue opposing them in the future.

Department of Energy's Proposed Grid Resiliency Pricing Rule and Subsequent FERC Proceeding — On September 29, 2017, the Department of Energy issued a proposed rulemaking titled the "Grid Resiliency Pricing Rule." The rulemaking directs FERC to take action to reform the ISO/RTO markets to value certain reliability and resiliency attributes of electric generation resources. On October 2, 2017, FERC issued a notice inviting comments. On October 4, 2017, FERC staff issued a series of questions requesting commenters to address. On October 23, 2017, comments were filed encouraging FERC to act expeditiously to modernize energy and capacity markets in a manner compatible with robust competitive markets. On January 8, 2018, FERC terminated the proposed rulemaking and opened a new proceeding asking each ISO/RTO to address specific questions focused on grid resilience. On March 9, 2018, the ISOs/RTOs filed comments to the questions posed by FERC. The Company responded on May 9, 2018 and is currently awaiting a decision from FERC.

Environmental Matters

GenOn is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and maintained during operation of power plants. Requirements regarding GHGs, combustion byproducts, water discharge and use, and threatened and endangered species have been put in place in recent years. However, under the current U.S. presidential administration some of these rules are being reconsidered and reviewed. Future laws may require the addition of emissions controls or other environmental controls or impose restrictions on the operations of the Company's facilities, which could have a material effect on the Company's operations. Complying with environmental laws involves significant capital and operating expenses. GenOn decides to invest capital for environmental controls based on the relative certainty of the requirements, an evaluation of compliance options, and the expected economic returns on capital.

A number of regulations with the potential to affect the Company and their facilities have been recently promulgated by the EPA but are being reconsidered, including ESPS/NSPS for GHGs, NAAQS revisions and implementation, and effluent guidelines. GenOn is evaluating the potential outcomes and any resulting impacts of recently promulgated regulations that the EPA is now reconsidering and cannot fully predict such impacts until administrative reconsiderations and legal challenges are resolved. Federal and state environmental laws generally have become more stringent over time, although this trend could slow or pause in the near term with respect to federal laws under the current U.S. presidential administration.

The Company's environmental matters are described in the Company's 2017 Form 10-K in Item 1, Business - *Environmental Matters* and Item 1A, Risk Factors. These matters have been updated in Note 12, *Environmental Matters*, to the Condensed Consolidated Financial Statements of this Form 10-Q.

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, or FGD, fly ash, bottom ash, and flue gas mercury control. In April 2017, the EPA granted two petitions to reconsider the rule and also administratively stayed some of the deadlines. On September 18, 2017, the EPA promulgated a final rule that (i) postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking and (ii) withdrew the April 2017 administrative stay. The legal challenges have been suspended while the EPA reconsiders and likely modifies the rule. Accordingly, the Company has largely eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. The Company will revisit these estimates after the rule is revised.

Regional Environmental Issues

RGGI — The Company operates generating units in Maryland, Massachusetts and New York that are subject to RGGI, which is a regional cap and trade system. In 2013, each of these states finalized a rule that reduced and will continue to reduce the number of allowances through 2020. The nine RGGI states re-evaluated the program and published a model rule to further reduce the number of allowances. The revisions being currently contemplated could adversely impact the Company's results of operations, financial condition and cash flows. Other states (e.g., New Jersey) may join or rejoin RGGI. This action could adversely impact generating assets in the subject state(s) and may affect the RGGI budgets and the likelihood that more states may join the program.

Significant Events

Asset Sales

- On June 1, 2018, the Company completed the sale of Hunterstown and certain third party gas interconnection contracts pursuant to the asset purchase agreement entered into on February 22, 2018, between subsidiaries of GenOn for cash consideration of $498 million, subject to post-closing working capital adjustments. The sale resulted in a gain of approximately $140 million recognized in the Company's consolidated results of operations during the second quarter of 2018.

- On June 29, 2018, the Company completed the sale of Canal Units 1 and 2, pursuant to the asset purchase agreement entered into on March 22, 2018, between subsidiaries of GenOn for a total consideration of $320 million, subject to post-closing working capital adjustments. In addition, NRG refunded GenOn $13.5 million for GenOn's prepayment of a purchase option with respect to the Canal 3 project. Also on June 29, 2018, an affiliate of the purchaser of Canal Units 1 and 2 completed the acquisition of Canal 3 pursuant to the purchase agreement entered into on March 22, 2018 with an affiliate of NRG. The closing of the Canal 3 transaction was a closing condition under the Canal Units 1 and 2 purchase agreement. The sale resulted in a gain of approximately $293 million recognized in the Company's consolidated results of operations during the second quarter of 2018.

Financing Activities

- On February 1, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make a partial payment in the amount of $300 million, consisting of $158 million and $142 million to be applied to the outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively.

- On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes. In connection with the payment, GenOn recognized $42 million as a gain on reorganization items, net.

- On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

Operational Matters

GenOn, through its subsidiary, NRG California South LP, owns and operates the Mandalay generation station, Units 1, 2 and 3 (“Mandalay”) located in Oxnard, California. On October 19, 2017, NRG California South LP provided notice to the CPUC and the CAISO of its intent to shut down and retire Mandalay by December 31, 2017. Mandalay was retired on February 6, 2018.

On February 28, 2018, GenOn, through its subsidiary, NRG California South LP, provided additional notices to the CPUC and the CAISO of its intent to shut down and retire the Etiwanda generating station by June 1, 2018, the Ormond Beach generating station by October 1, 2018, and the Ellwood generating station by January 1, 2019. Etiwanda was retired on June 1, 2018. On July 26, 2018, CAISO received authorization from its board of directors to negotiate reliability must-run agreements at Ellwood and one unit at Ormond Beach in order to meet local reliability needs in 2019, contingent upon reaching acceptable terms with CAISO.

Changes in Accounting Standards

See Note 2, *Summary of Significant Accounting Policies,* to the Condensed Consolidated Financial Statements of this Form 10-Q, for a discussion of recent accounting developments.

Consolidated Results of Operations

Electricity Prices

The following tables summarize average on-peak power prices for each of the major markets in which GenOn operates for the three and six months ended June 30, 2018 and 2017. Average on-peak power prices increased primarily due to the increase in natural gas prices for the three and six months ended June 30, 2018, compared to the same period in 2017.

	Average on Peak Power Price ($/MWh) [a]		
	Three months ended June 30,		
	2018	2017	Change %
MISO - Louisiana Hub [b]	$ 44.20	$ 42.77	3 %
NEPOOL	36.28	33.57	8 %
PEPCO (PJM)	43.64	34.38	27 %
PJM West Hub	39.73	32.79	21 %
CAISO - SP15	27.75	30.72	(10)%

(a) Average on-peak power prices based on day ahead settlement prices as published by the respective ISOs.
(b) Region also transacts in PJM - West Hub.

	Average on Peak Power Price ($/MWh) [a]		
	Six months ended June 30,		
	2018	2017	Change %
MISO - Louisiana Hub [b]	$ 45.22	$ 43.71	3%
NEPOOL	51.07	33.69	52%
PEPCO (PJM)	48.04	34.07	41%
PJM West Hub	43.58	32.40	35%
CAISO - SP15	31.60	26.87	18%

(a) Average on-peak power prices based on day ahead settlement prices as published by the respective ISOs.
(b) Region also transacts in PJM - West Hub.

The following tables summarize average realized power prices for GenOn for the three and six months ended June 30, 2018 and 2017, which reflects the impact of settled hedges:

Average Realized Power Price ($/MWh)					
Three months ended June 30,			Six months ended June 30,		
2018	2017 [a]	Change %	2018	2017 [a]	Change %
$ 35.92	$ 39.60	(9)%	$ 51.92	$ 46.14	13%

(a) Excludes closure and financial settlement of certain open positions with counterparties that would have otherwise been realized in subsequent periods.

Gross Margin

The Company calculates gross margin in order to evaluate operating performance as operating revenues less cost of sales, which includes cost of fuel, other costs of sales, contract and emission credit amortization and mark-to-market gains or losses on economic hedging activities.

Economic Gross Margin

In addition to gross margin, the Company evaluates its operating performance using the measure of economic gross margin, which is not a GAAP measure and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Economic gross margin should be viewed as a supplement to and not a substitute for the Company's presentation of gross margin, which is the most directly comparable GAAP measure. Economic gross margin is not intended to represent gross margin. The Company believes that economic gross margin is useful to investors as it is a key operational measure reviewed by the Company's chief operating decision maker. Economic gross margin is defined as the sum of energy revenue, capacity revenue and other revenue, less cost of fuel and other cost of sales.

Economic gross margin does not include mark-to-market gains or losses on economic hedging activities that are not yet settled, contract and emission credit amortization or other operating costs.

The following table provides selected financial information for the Company:

(In millions except otherwise noted)	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Operating Revenues						
Energy revenue [a]	$ 210	$ 194	$ 16	$ 604	$ 433	$ 171
Capacity revenue [a]	169	143	26	325	266	59
Mark-to-market for economic hedging activities	—	20	(20)	14	30	(16)
Other revenues	8	9	(1)	17	18	(1)
Total operating revenues	387	366	21	960	747	213
Operating Costs and Expenses						
Generation cost of sales [a]	174	143	31	390	289	101
Mark-to-market for economic hedging activities	1	(3)	4	(1)	(5)	4
Contract and emissions credit amortization	(2)	(10)	8	(10)	(19)	9
Operations and maintenance	108	145	(37)	221	262	(41)
Other cost of operations	11	19	(8)	28	40	(12)
Total cost of operations	292	294	(2)	628	567	61
Depreciation and amortization	29	42	(13)	66	85	(19)
General and administrative	46	2	44	58	15	43
General and administrative - affiliate	20	40	(20)	39	86	(47)
Restructuring and transition-related costs	26	—	26	49	—	49
Total operating costs and expenses	413	378	35	840	753	87
Gain on sale of assets	433	—	433	433	—	433
Operating Income/(Loss)	407	(12)	419	553	(6)	559
Other Income/(Expense)						
Other income, net	7	6	1	13	11	2
Interest expense	(5)	(40)	35	(11)	(87)	76
Other expense	—	(18)	18	—	(18)	18
Total other income/(expense)	2	(52)	54	2	(94)	96
Income/(Loss) Before Reorganization Items and Income Taxes	409	(64)	473	555	(100)	655
Reorganization items, net	10	77	(67)	(23)	77	(100)
Income/(Loss) Before Income Taxes	419	13	406	532	(23)	555
Income tax expense	16	6	10	16	7	9
Net Income/(Loss)	$ 403	$ 7	$ 396	$ 516	$ (30)	$ 546
Business Metrics						
Average natural gas price — Henry Hub ($/MMBtu)	$ 2.80	$ 3.18	(12)%	$ 2.90	$ 3.25	(11)%
MWh sold (in thousands) [b]	5,846	4,765	23 %	11,633	9,269	26 %

(a) Includes realized gains and losses from financially settled transactions.

(b) MWh sold excludes generation at facilities that generate revenue under tolling agreements.

The following table presents the composition and reconciliation of gross margin and economic gross margin for the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
(In millions)	**2018**	**2017**	**2018**	**2017**
Energy revenue	$ 210	$ 194	$ 604	$ 433
Capacity revenue	169	143	325	266
Mark-to-market for economic hedging activities	—	20	14	30
Other revenues	8	9	17	18
Operating revenue	387	366	960	747
Cost of fuel	(163)	(134)	(381)	(270)
Other cost of sales	(11)	(9)	(9)	(19)
Mark-to-market for economic hedging activities	(1)	3	1	5
Contract and emission credit amortization	2	10	10	19
Gross margin	**$ 214**	**$ 236**	**$ 581**	**$ 482**
Less: Mark-to-market for economic hedging activities, net	(1)	23	15	35
Less: Contract and emission credit amortization, net	2	10	10	19
Economic gross margin	**$ 213**	**$ 203**	**$ 556**	**$ 428**

GenOn's gross margin decreased by $22 million and economic gross margin increased by $10 million for the three months ended June 30, 2018, compared to the same period in 2017, due to:

	(In millions)
Higher gross margin due to a 23% increase in economic generation primarily at Morgantown and Dickerson as a result of lower planned outages and at Choctaw due to Unit 1 returning to service in late 2017	$ 18
Higher gross margin due to a 13% increase in average PJM cleared auction capacity prices and a 4% increase in PJM cleared auction capacity volumes, primarily at Shawville	17
Higher gross margin due to a 94% increase in New England cleared auction capacity prices and a 23% increase in New York capacity prices	17
Lower gross margin due to a 9% decrease in average realized energy prices, partially offset by a 6% decrease in natural gas prices	(35)
Lower gross margin due to lower Southern California Resource Adequacy volumes due to an oversupply in the market	(11)
Other	4
Increase in economic gross margin	**$ 10**
Decrease in mark-to-market for economic hedging primarily due to reversals of previously recognized unrealized gains/losses on settled positions and unrealized gains/losses on open positions related to economic hedges as further described below	(24)
Decrease in contract and emission credit amortization	(8)
Decrease in gross margin	**$ (22)**

GenOn's gross margin increased by $99 million and economic gross margin increased by $128 million for the six months ended June 30, 2018, compared to the same period in 2017, due to:

	(In millions)
Higher gross margin due to a 25% increase in economic generation primarily at GenOn Mid-Atlantic, Avon Lake and Cheswick as a result of colder weather in 2018	$ 67
Higher gross margin due to a 15% increase in average PJM cleared auction capacity prices and an 8% increase in PJM cleared auction capacity volumes, primarily at Shawville	40
Higher gross margin due to a 122% increase in New England cleared auction capacity prices	32
Higher gross margin due to business interruption insurance proceeds received for Bowline and Avon Lake as a result of forced outages in 2016 and 2014	16
Lower gross margin due to lower Southern California Resource Adequacy volumes due to an oversupply in the market	(15)
Lower gross margin due to a 16% increase in natural gas prices from locational constraints in early 2018 as well as a 6% increase in coal prices, partially offset by a 13% increase in realized energy prices and a reduction in natural gas transportation costs	(13)
Other	1
Increase in economic gross margin	**$ 128**
Decrease in mark-to-market for economic hedging primarily due to reversals of previously recognized unrealized gains/losses on settled positions and unrealized gains/losses on open positions related to economic hedges as further described below	(20)
Decrease in contract and emission credit amortization	(9)
Increase in gross margin	**$ 99**

Mark-to-market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges.

The breakdown of gains and losses included in GenOn's operating revenues and operating costs and expenses are as follows:

	Three months ended June 30,		Six months ended June 30,	
(In millions)	**2018**	**2017**	**2018**	**2017**
Mark-to-market results in operating revenues				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ —	$ (19)	$ 21	$ (11)
Net unrealized gains/(losses) on open positions related to economic hedges	—	39	(7)	41
Total mark-to-market gains in operating revenues	$ —	$ 20	$ 14	$ 30
Mark-to-market results in operating costs and expenses				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ (2)	$ 2	$ (3)	$ 9
Net unrealized gains/(losses) on open positions related to economic hedges	1	1	4	(4)
Total mark-to-market (losses)/gains in operating costs and expenses	$ (1)	$ 3	$ 1	$ 5

Mark-to-market results consist of unrealized gains and losses on contracts that are not yet settled. The settlement of these transactions is reflected in the same revenue or cost financial statement caption as the items being hedged.

For the three months ended June 30, 2018, there was no gain or loss in operating revenues from economic hedge positions. The $1 million loss in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized gains from contracts that settled during the period, partially offset by an increase in the value of forward purchases of fuel contracts as a result of increases in coal prices.

For the three months ended June 30, 2017, the $20 million gain in operating revenues from economic hedge positions was primarily driven by an increase in the value of forward sales of power contracts as a result of decreases in forward power prices, partially offset by the reversal of previously recognized unrealized gains from electricity contracts that settled during the period. The $3 million gain in operating costs and expenses from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from contracts that settled during the period.

For the six months ended June 30, 2018, the $14 million gain in operating revenues from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from contracts that settled during the period, partially offset by a decrease in the value of forward sales of power contracts as a result of increases in forward power prices. The $1 million gain in operating costs and expenses from economic hedge positions was driven by an increase in the value of forward purchases of fuel contracts as a result of increases in coal prices, largely offset by the reversal of previously recognized unrealized gains from contracts that settled during the period.

For the six months ended June 30, 2017, the $30 million gain in operating revenues from economic hedge positions was primarily driven by an increase in the value of forward sales of power contracts as a result of decreases in forward power prices, partially offset by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The $5 million gain in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized losses from natural gas and coal contracts that settled during the period, offset by a decrease in the value of forward purchases of fuel contracts as a result of decreases in forward coal prices.

Operations and Maintenance

Operations and maintenance decreased by $37 million during the three months ended June 30, 2018, compared to the same period in 2017, due to:

	(In millions)
Lower major maintenance work at Cheswick, Chalk Point and Bowline due to lower planned and unplanned outages	$ (22)
Lower operations and maintenance costs due to workforce reductions as a result of cost cutting initiatives	(9)
Lower operations and maintenance costs due to retirement of Etiwanda and Mandalay as well as the pending retirement of Ormond Beach	(4)
Other	(2)
	$ (37)

Operations and maintenance decreased by $41 million during the six months ended June 30, 2018, compared to the same period in 2017, due to:

	(In millions)
Lower major maintenance work at Cheswick, Chalk Point and Bowline due to lower planned and unplanned outages, partially offset by higher maintenance at Dickerson as costs are no longer being capitalized after the 2017 impairment	$ (20)
Lower operations and maintenance costs due to workforce reductions as a result of cost cutting initiatives	(10)
Lower operations and maintenance costs due to retirement of Pittsburg, Etiwanda and Mandalay as well as the pending retirement of Ormond Beach, partially offset by current period deactivation costs	(7)
Lower maintenance costs due to the deactivation of the Pittsburg facility that occurred in 2017	(4)
	$ (41)

Other Cost of Operations

Other cost of operations decreased by $8 million during the three months ended June 30, 2018, compared to the same period in 2017, primarily due to the deferral of expected asset retirement obligation spend in Northern California, which resulted in a reduction of accretion expense.

Other cost of operations decreased by $12 million during the six months ended June 30, 2018, compared to the same period in 2017, due to the deferral of expected asset retirement obligation spend in Northern California, which resulted in a reduction of accretion expense as well as a reduction in property tax expense at Morgantown due to the payment in lieu of taxes agreement.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased by $13 million during the three months ended June 30, 2018, compared to the same period in 2017, due to the sale of the Hunterstown generation station in the second quarter of 2018 and the impairment of the Morgantown and Dickerson coal generating units during the fourth quarter of 2017.

Depreciation and amortization expense decreased by $19 million during the six months ended June 30, 2018, compared to the same period in 2017, due to the sale of the Hunterstown generation station in the second quarter of 2018 and the impairment of the Morgantown and Dickerson coal generating units during the fourth quarter of 2017.

General and Administrative Expenses

For the three and six months ended June 30, 2018, general and administrative expenses increased by $44 million and $43 million, respectively, compared to the same periods in 2017 due to costs incurred in connection with advisors and other consultants engaged to assist GenOn and its creditors with regards to the Chapter 11 Cases as further discussed in Note 3, *Chapter 11 Cases*, to this Form 10-Q, along with an increase in the legal reserve due to ongoing legal matters.

General and Administrative Expenses - Affiliate

For the three and six months ended June 30, 2018, general and administrative expenses - affiliate decreased by $20 million and $47 million, respectively, compared to the same periods in 2017, primarily due to a decrease in the service fee to NRG during the pendency of the Chapter 11 Cases as further discussed in Note 3, *Chapter 11 Cases*, to this Form 10-Q.

Restructuring and Transition-related Costs

During the three and six months ended June 30, 2018, GenOn incurred restructuring and transition-related costs of $26 million and $49 million, respectively, relating to consultant fees and other costs associated with the GenOn transition, as well as workforce reduction.

Gain on Sale of Assets

The $433 million gain on sale of assets during the three and six months ended June 30, 2018 reflects the gain on the sales of Hunterstown and Canal as further discussed in Note 4, *Dispositions*, to this Form 10-Q.

Interest Expense

For the three and six months ended June 30, 2018, interest expense decreased by $35 million and $76 million, respectively, compared to the same period in 2017, primarily due to the filing of the Chapter 11 Cases, which constituted an event of default on the GenOn and GenOn Americas Generation Senior Notes in June of 2017 as further discussed in Note 3, *Chapter 11 Cases*, to this Form 10-Q.

Other Expense

During the three and six months ended June 30, 2017, GenOn recorded other expense of $18 million, respectively, which represent costs associated with the 2022 Notes that were not assumed, as further described in Note 3, *Chapter 11 Cases*, to this Form 10-Q.

Reorganization Items, Net

Reorganization items, net decreased by $67 million during the three months ended June 30, 2018, compared to the same period in 2017 due to:

	(In millions)
Write-off of debt premiums and credit reserves in 2017	$ (103)
Fees paid to GenOn Americas Generation's senior unsecured noteholders in 2018	(7)
Gain on GAG Administrative Claim in 2018	42
Decrease in legal and other professional advisory fees directly associated with Chapter 11 proceedings	3
Other	(2)
	$ (67)

Reorganization items, net decreased by $100 million during the six months ended June 30, 2018, compared to the same period in 2017 due to:

	(In millions)
Write-off of debt premiums and credit reserves in 2017	$ (103)
Increase in legal and other professional advisory fees directly associated with Chapter 11 proceedings	(19)
Fees paid to GenOn Americas Generation's senior unsecured noteholders in 2018	(18)
Gain on GAG Administrative Claim in 2018	42
Other	(2)
	$ (100)

Income Tax Expense

For the three months ended June 30, 2018, GenOn recorded income tax expense of $16 million on pre-tax income of $419 million. For the same period in 2017, GenOn recorded an income tax expense of $6 million on pre-tax income of $13 million. The effective tax rate was 3.8% and 46.2% for the three months ended June 30, 2018 and 2017, respectively.

For the six months ended June 30, 2018, GenOn recorded income tax expense of $16 million on pre-tax income of $532 million. For the same period in 2017, GenOn recorded an income tax expense of $7 million on a pre-tax loss of $23 million. The effective tax rate was 3.0% and (30.4)% for the six months ended June 30, 2018 and 2017, respectively.

For the three and six months ended June 30, 2018, GenOn's overall effective tax rate was different than the statutory rate of 21% primarily due to a change in the valuation allowance, partially offset by the impact of state income taxes.

For the three and six months ended June 30, 2017, GenOn's overall effective tax rate was different than the statutory rate of 35% primarily due to the impact of state income taxes.

For the three and six months ended June 30, 2018, GenOn recorded a current income tax payable of $16 million, due to state income taxes as a result of the gain from the recent sale of assets.

Liquidity and Capital Resources

Liquidity Position

As of June 30, 2018 and December 31, 2017, GenOn's liquidity was comprised of the following:

	June 30, 2018	December 31, 2017
	(In millions)	
Cash and cash equivalents:		
GenOn excluding GenOn Mid-Atlantic and REMA	$ 732	$ 587
GenOn Mid-Atlantic [(a)]	51	175
REMA [(a)]	110	75
Restricted cash	1	1
Total	894	838
Credit facility availability [(b)]	295	297
Total liquidity	$ 1,189	$ 1,135

(a) At June 30, 2018, REMA and GenOn Mid-Atlantic did not satisfy the restricted payment tests under certain of their agreements and therefore, could not use such funds to distribute cash and make other restricted payments.
(b) Includes the $300 million cash collateralized letter of credit facility that GenOn obtained from Citibank on July 14, 2017.

For the six months ended June 30, 2018, total liquidity increased $54 million. Changes in cash and cash equivalents balances are further discussed hereinafter under the heading *Cash Flow Discussion*.

As further described in Note 1, *Basis of Presentation*, to the Condensed Consolidated Financial Statements of this Form 10-Q, management believes that GenOn's liquidity position and cash flows from operations will not be adequate to finance current operating, maintenance and capital expenditures, debt service obligations and other liquidity commitments.

As described further in Note 1, *Basis of Presentation* and Note 3, *Chapter 11 Cases*, to the Condensed Consolidated Financial Statements of this Form 10-Q, GenOn submitted the Plan in connection with their Chapter 11 Cases and the Bankruptcy Court entered an order confirming the Plan. There is no assurance that all conditions precedent to the effectiveness of the Plan will be satisfied. GenOn's ability to continue as a going concern is dependent on many factors, including the consummation of the Plan in a timely manner and our ability to achieve profitability following emergence from bankruptcy. Given the uncertainty as to the outcome of these factors, there is substantial doubt about GenOn's ability to continue as a going concern.

Restricted Payments Tests

Of the $893 million of cash and cash equivalents of GenOn as of June 30, 2018, $51 million and $110 million were held by GenOn Mid-Atlantic and REMA, respectively. The ability of certain of GenOn's subsidiaries to pay dividends and make distributions is restricted under the terms of certain agreements, including the GenOn Mid-Atlantic and REMA operating leases. Under the operating leases of REMA, it is not permitted to make any distributions and other restricted payments unless: (a) it satisfies the fixed charge coverage ratio for the most recently ended period of four fiscal quarters; (b) it is projected to satisfy the fixed charge coverage ratio for each of the two following periods of four fiscal quarters, commencing with the fiscal quarter in which such payment is proposed to be made; and (c) no significant lease default or event of default has occurred and is continuing. In addition, prior to making a dividend or other restricted payment, REMA must be in compliance with the requirement to provide credit support to the owner lessors securing its obligations to pay scheduled rent under its respective leases. Under the operating leases of GenOn Mid-Atlantic, it is not permitted to make any distributions and other restricted payments unless: (a) there is, and will be after such distribution, at least $30 million of cash available on such date and on a forward-looking basis, including certain revenues and expenses in a detailed liquidity test; (b) there is at least an $80 million balance in the Equity Rent Collateral Account, or the ERCA, as collateral for the rent obligations for the benefit of the owner lessors, with different percentages of such distributions required to further fund the ERCA depending on such account's balance; (c) no significant lease default or event of default has occurred and is continuing; (d) distributions and related calculations must be made on a rent payment date; (e) delivery of a mortgage on the Chalk Point real property; (f) delivery of an officer's certificate; and (g) no acceleration of working capital debt. Based on GenOn Mid-Atlantic's and REMA's most recent calculations of these tests, GenOn Mid-Atlantic and REMA did not satisfy their restricted payments tests. As a result, as of June 30, 2018, GenOn Mid-Atlantic and REMA could not make distributions of cash and certain other restricted payments. REMA may recalculate its fixed charge coverage ratio from time to time and, subject to compliance with the restricted payments test described above, make dividends or other restricted payments.

Sources of Liquidity

The principal sources of liquidity for GenOn's future operating and capital expenditures are expected to be derived from existing cash on hand, cash flows from operations, cash proceeds from future sales of assets and the New LC Facility. GenOn's operating cash flows may be affected by, among other things, demand for electricity, the difference between the cost of fuel used to generate electricity and the market value of the electricity generated, commodity prices (including prices for electricity, emissions allowances, natural gas, coal and oil), operations and maintenance expenses in the ordinary course, planned and unplanned outages, terms with trade creditors, cash requirements for capital expenditures relating to certain facilities (including those necessary to comply with environmental regulations) and the potential impact of future environmental regulations.

Sale of Hunterstown

On June 1, 2018, the Company completed the sale of Hunterstown and certain third party gas interconnection contracts, pursuant to the asset purchase agreement entered into on February 22, 2018, between subsidiaries of GenOn and Kestrel Acquisition, LLC for cash consideration of $498 million, subject to post-closing working capital adjustments. The sale resulted in a gain of approximately $140 million recognized in the Company's consolidated results of operations during the second quarter of 2018.

Sale of Canal 1 and 2

On June 29, 2018, the Company completed the sale of Canal Units 1 and 2, pursuant to the asset purchase agreement entered into on March 22, 2018, between subsidiaries of GenOn for a total consideration of $320 million, consisting of $318 million of cash received and $2 million held in escrow to cover post-closing obligations, subject to post-closing working capital adjustments. In addition, NRG refunded GenOn $13.5 million for GenOn's prepayment of a purchase option with respect to the Canal 3 project. Also on June 29, 2018, an affiliate of the purchaser of Canal Units 1 and 2 completed the acquisition of Canal 3 pursuant to the purchase agreement entered into on March 22, 2018 with an affiliate of NRG. The closing of the Canal 3 transaction was a closing condition under the Canal Units 1 and 2 purchase agreement. The sale resulted in a gain of approximately $293 million recognized in the Company's consolidated results of operations during the second quarter of 2018.

Business Interruption Insurance Proceeds

During the first quarter of 2018, GenOn received $16 million in business interruption insurance proceeds as a result of insurance claims from 2016 and 2014 forced outages at Bowline and Avon Lake. See Note 2, *Summary of Significant Accounting Policies*, for further discussion.

New LC Facility

On July 14, 2017, the GenOn Entities obtained a letter of credit facility with Citibank, or the New LC Facility, to finance the working capital needs and for general corporate purposes. The New LC Facility provides availability of up to $300 million less amounts borrowed, and letters of credit provided are required to be cash collateralized at 101% of the letter of credit amount. As of June 30, 2018, there was $5 million of letters of credit issued under this facility. On July 5, 2018, GenOn and Citibank entered into an amendment to the New LC Facility to extend the term of the agreement an additional six months and decrease the exposure amount to $150 million over such extended period.

Uses of Liquidity

The Company's requirements for liquidity and capital resources, other than for operating its facilities, can generally be categorized by the following: (i) debt service obligations; (ii) capital expenditures, including maintenance and environmental; and (iii) payments under the GenOn Mid-Atlantic and REMA operating leases. Pursuant to Section 362 of the Bankruptcy Code, the filing of the Chapter 11 Cases automatically stayed GenOn's debt service obligations and the holders' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

GenOn Americas Generation Administrative Claim

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan granting an allowed claim plus certain accrued interest, or the GAG Administrative Claim, estimated to be $663 million, to the holders of the GenOn Americas Generation Senior Notes, due 2021 and GenOn Americas Generation Senior Notes, due 2031. On February 1, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make a partial payment in respect of the GAG Administrative Claim, in the amount of $300 million, consisting of $158 million and $142 million to be applied to the outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively.

On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in respect of the remaining outstanding balance of the GAG Administrative Claim, in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes.

GenOn Senior Notes Partial Payment

On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

GenMA Settlement

The Bankruptcy Court order confirming the Plan also approved the settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders, or the GenMA Settlement, and directed the settlement parties to cooperate in good faith to negotiate definitive documentation consistent with the GenMA Settlement term sheet in order to pursue consummation of the GenMA Settlement. The definitive documentation consummating the GenMA Settlement was finalized and effective as of April 27, 2018.

Certain terms of the compromise reflected by the definitive documentation implementing the GenMA Settlement are as follows, as qualified by the applicable definitive documentation:

- settlement of all pending litigation with the Owner Lessor Plaintiffs (as defined in the Plan), including two actions pending in the Supreme Court of the State of New York, and the release of certain claims and causes of action by and among NRG, GenOn Mid-Atlantic, the Owner Lessor Plaintiffs and certain of their respective related parties;
- cash redemption or purchase of certain outstanding lessor notes/pass-through certificates, funded by (i) GenOn Mid-Atlantic cash on hand; (ii) proceeds from a J.P. Morgan letter of credit draw; and (iii) a $20.0 million subordinated loan by GenOn to GenOn Mid-Atlantic;
- NRG caused a letter of credit to be issued in the amount of $37.5 million as credit support to GenOn Mid-Atlantic, in respect of GenOn Mid-Atlantic's rent obligations;
- GenOn retained $125.0 million from the pre-petition transfer from GenOn Mid-Atlantic on account of the J.P. Morgan letter of credit draw and all proceeds of NRG's settlement payment of approximately $261.3 million to GenOn in connection with the NRG Settlement, subject to setoff as further discussed below, to fully settle the disputes existing between such parties and their respective affiliates;
- Debt and lien covenants will permit a secured working capital facility in an amount not to exceed $75.0 million, which GenOn Mid-Atlantic will use commercially reasonable efforts to obtain; and
- GenOn Mid-Atlantic will have one independent director appointed by the Owner Lessor Plaintiffs.

NRG Settlement

On July 13, 2018, the Bankruptcy Court entered an order approving certain modifications to the Settlement Agreement entered into by the GenOn Entities and NRG on December 14, 2017, to enable consummation of the NRG Settlement, as defined in the Plan, and settle the disputes existing between such parties. Certain of the modifications are as follows:

- NRG and GenOn agreed to waive any unsatisfied conditions precedent to the Settlement Agreement and consummate such agreement no later than July 16, 2018;
- NRG agreed to assign its $8.4 million historical claim against REMA, in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement;
- GenOn posted a $10.0 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG until REMA has provided NRG a release;
- GenOn will use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; and
- The shared services under the transition services agreement between GenOn and NRG will be deemed terminated as of August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. NRG will have no obligation to provide any shared services under the transition services agreement, with the sole exception of payroll services, beyond August 15, 2018.

On July 16, 2018, GenOn and NRG consummated the NRG Settlement and certain transactions were settled and paid, including the settlement consideration of $261.3 million and the transition services credit of $28 million owed by NRG to GenOn, offset by the $151 million in borrowings under the Intercompany Revolver, along with related accrued interest of $12 million and certain other balances owed by GenOn to NRG, including fees accrued for services provided under the Services Agreement. In connection with the settlement, GenOn received approximately $125 million of net proceeds from NRG, subject to post-closing adjustments, and posted a $10 million letter of credit to NRG. Other than those obligations which survive or are independent of the releases described herein, the NRG Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

REMA Long-Term Deposits

On June 8, 2018, the REMA Lessors drew down on the existing letters of credit under the Intercompany Revolver, which resulted in borrowings of $26 million. Upon notification, GenOn became obligated under the Intercompany Revolver. The obligation was accounted for as an increase in current portion of long-term debt — affiliate with a corresponding increase in long-term deposits on the Company's condensed consolidated balance sheet as of June 30, 2018. On July 2, 2018, REMA directed the indenture trustees to apply the proceeds from the letter of credit draws to the July rent payments for the Keystone and Conemaugh facilities. The forbearance agreements entered into on June 18, 2018 with the owner participants and certificateholders forbear the parties from taking action with respect to the remaining balance of rents for July not covered by the letter of credit draws pertaining to Keystone and Conemaugh.

Capital Expenditures

The following table and description summarizes the Company's capital expenditures for maintenance and environmental for the six months ended June 30, 2018 and currently estimated capital expenditures forecast for the remainder of 2018.

	Maintenance	Environmental	Total
	(In millions)		
Total cash capital expenditures for the six months ended June 30, 2018	$ 23	$ —	$ 23
Estimated capital expenditures for the remainder of 2018	15	1	16

Operating Leases

GenOn, through its subsidiary REMA, leases a 100% interest in the Shawville generating station through 2026 and leases 16.67% and 16.45% interests in the Keystone and Conemaugh coal generation stations, respectively, through 2034. In addition, GenOn, through its subsidiary GenOn Mid-Atlantic, leases a 100% interest in the Dickerson and Morgantown coal generation stations and associated property through 2029 and 2034, respectively. GenOn accounts for these leases as operating leases and records rent lease expense on a straight-line basis over the term of each respective lease. Annual rent expense for the REMA and GenOn Mid-Atlantic operating leases is $40 million and $71 million, respectively. As a result of acquisition accounting, REMA and GenOn Mid-Atlantic recognized out-of-market liabilities related to these operating leases of $790 million, which is being amortized on a straight-line basis to rent expense. Amortization of the out-of-market liabilities amortized annually by REMA and GenOn Mid-Atlantic is $11 million and $28 million, respectively. As of June 30, 2018, the termination value of the GenOn Mid-Atlantic operating leases was $502 million, and as of June 30, 2018, the termination value of the REMA operating leases was $584 million.

The following table and description summarizes the payments made under REMA and GenOn Mid-Atlantic's operating leases for the six months ended June 30, 2018 and the future payments for the remaining term of the respective lease agreements.

	Six months ended June 30, 2018	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total
	(In millions)							
REMA	$ 11	$ 44	$ 65	$ 56	$ 47	$ 46	$ 185	$ 454
GenOn Mid-Atlantic[a]	338	—	17	9	27	28	258	677
Total Minimum Lease Payment	$ 349	$ 44	$ 82	$ 65	$ 74	$ 74	$ 443	$ 1,131

(a) GenOn Mid-Atlantic's minimum lease payments have been updated in accordance with the GenMA settlement that was finalized and effective as of April 27, 2018. See Note 3, *Chapter 11 Cases* for further discussion of the settlement.

Cash Flow Discussion

The following table reflects the changes in cash flows for the comparative six-month periods:

	Six months ended June 30,		
	2018	2017	Change
	(In millions)		
Net cash used by operating activities	$ (88)	$ (137)	$ 49
Net cash provided/(used) by investing activities	807	(55)	862
Net cash used by financing activities	(663)	(98)	(565)

Net Cash Used By Operating Activities

Changes to net cash used by operating activities were driven by:

	(In millions)
Increase in operating income adjusted for non-cash items	$ 191
Increase in fuel inventory consumption driven by weather conditions in 2018, partially offset by inventory purchases to meet commodity and transportation obligations	89
Change in cash collateral in support of risk management activities	(108)
Increase in prepaid rent — non-current primarily due to the GenMA Settlement in 2018	(104)
Change in accounts payable — affiliate	(17)
Other changes in working capital	(2)
	$ 49

Net Cash Provided/(Used) By Investing Activities

Changes to net cash provided/(used) by investing activities were driven by:

	(In millions)
Proceeds from sale of assets in 2018	$ 816
Decrease in capital expenditures primarily related to gas conversions at New Castle and Shawville generation station as well as upgrades at Chalk Point generation station during 2017	32
Refund for purchase option paid in 2017	14
	$ 862

Net Cash Used By Financing Activities

Changes to net cash used by financing activities were driven by:

	(In millions)
Increase in payments for current and long-term debt	$ (662)
Decrease in proceeds from draw on intercompany secured revolving credit facility	(99)
Increase in long-term deposits in 2018	(26)
Payment for credit support in 2017	130
Payments for financing costs primarily related to the 2022 Notes and Backstop Fee in 2017	92
	$ (565)

NOLs, Deferred Tax Assets and Uncertain Tax Position Implications, under ASC 740

For the six months ended June 30, 2018, GenOn had total domestic pre-tax book income of $532 million. GenOn had cumulative domestic NOLs consisting of carryforwards for federal income tax purposes of $1.7 billion and state of $2.8 billion as of December 31, 2017. GenOn's pre-merger federal NOLs are limited to $62 million annually. GenOn's net federal NOLs will begin to expire starting in 2032. Upon emergence from bankruptcy, GenOn will not retain any of the federal and may retain a small amount of state NOLs.

As of December 31, 2017, GenOn recorded a net deferred tax asset of $1.5 billion relating primarily to federal and state loss carryforwards, out-of-market contracts and differences between book and tax basis of property, plant and equipment. Based on its assessment of positive and negative evidence, including available tax planning strategies, GenOn believes that it is more likely than not that a benefit will not be realized on the $1.5 billion tax asset as of December 31, 2017, thus a valuation allowance has been recorded. GenOn's tax effected valuation allowance was $1.5 billion as of December 31, 2017.

As of June 30, 2018, GenOn does not have any uncertain tax benefits.

GenOn is no longer subject to U.S. federal income tax examinations for years prior to 2015, and with few exceptions, state and local tax examinations are no longer open for years prior to 2010.

Off-Balance Sheet Arrangements

Obligations under Certain Guarantee Contracts

GenOn and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include financial and performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications.

Retained or Contingent Interests

GenOn does not have any material retained or contingent interests in assets transferred to an unconsolidated entity.

Contractual Obligations and Commercial Commitments

GenOn has a variety of contractual obligations and other commercial commitments that represent prospective cash requirements in addition to the Company's capital expenditure programs, as disclosed in the Company's 2017 Form 10-K. See also Note 7, *Debt and Capital Leases* and Note 10, *Commitments and Contingencies,* to this Form 10-Q for discussion of new commitments and contingencies that also include contractual obligations and commercial commitments that occurred during the three and six months ended June 30, 2018.

Fair Value of Derivative Instruments

GenOn may enter into power sales contracts, fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices and to hedge fuel requirements at generation facilities.

The tables below disclose the activities that include both exchange and non-exchange traded contracts accounted for at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820. Specifically, these tables disaggregate realized and unrealized changes in fair value; disaggregate estimated fair values at June 30, 2018, based on their level within the fair value hierarchy defined in ASC 820; and indicate the maturities of contracts at June 30, 2018.

Derivative Activity (Losses)/Gains	(In millions)
Fair Value of Contracts as of December 31, 2017	$ (13)
Contracts realized or otherwise settled during the period	18
Changes in fair value	(4)
Fair Value of Contracts as of June 30, 2018	$ 1

	Fair Value of Contracts as of June 30, 2018				
	Maturity				
Fair value hierarchy Gains/(Losses)	1 Year or Less	Greater than 1 Year to 3 Years	Greater than 3 Years to 5 Years	Greater than 5 Years	Total Fair Value
	(In millions)				
Level 2	$ 2	$ (1)	$ —	$ —	$ 1
Total	$ 2	$ (1)	$ —	$ —	$ 1

The Company has elected to present derivative assets and liabilities on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. Also, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. Consequently, the magnitude of the changes in individual current and non-current derivative assets or liabilities is higher than the underlying credit and market risk of the Company's portfolio. As the Company's trade-by-trade derivative accounting results in a gross-up of their derivative assets and liabilities, the net derivative asset and liability position is a better indicator of the Company's hedging activity. As of June 30, 2018, GenOn had a net derivative asset of $1 million, which is a $14 million increase to total fair value as compared to December 31, 2017. The increase was primarily driven by the roll-off of trades that settled during the period, partially offset by losses in fair value.

Based on a sensitivity analysis using simplified assumptions, the impact of a $0.50 per MMBtu increase in natural gas prices across the term of the derivative contracts would result in a decrease of approximately $5 million in the net value of derivatives as of June 30, 2018. The impact of a $0.50 per MMBtu decrease in natural gas prices across the term of the derivative contracts would result in an increase of approximately $5 million, in the net value of derivatives as of June 30, 2018.

Critical Accounting Policies and Estimates

GenOn's discussion and analysis of the financial condition and results of operations are based upon the Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements and related disclosures in compliance with GAAP requires the application of appropriate technical accounting rules and guidance as well as the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. The application of these policies involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges, and the fair value of certain assets and liabilities. These judgments, in and of themselves, could materially affect the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment may also have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies have not changed.

On an ongoing basis, GenOn evaluates these estimates, utilizing historic experience, consultation with experts and other methods the Company considers reasonable. In any event, actual results may differ substantially from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the information that gives rise to the revision becomes known.

The Company's significant accounting policies are summarized in the 2017 Form 10-K, Item 15 - Note 2, *Summary of Significant Accounting Policies*, to the condensed consolidated financial statements. The Company identifies their most critical accounting policies as those that are the most pervasive and important to the portrayal of their financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. GenOn's critical accounting policies include derivative instruments, impairment of long-lived assets, and income taxes and valuation allowance for deferred tax assets.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GenOn is exposed to several market risks in their normal business activities. Market risk is the potential loss that may result from market changes associated with the Company's merchant power generation or with an existing or forecasted financial or commodity transaction. The types of market risks the Company is exposed to are commodity price risk, interest rate risk, and credit and performance risk. The following disclosures about market risk provide an update to, and should be read in conjunction with, Item 7A — *Quantitative and Qualitative Disclosures About Market Risk*, of the Company's 2017 Form 10-K.

Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. GenOn is exposed to counterparty credit risk through various activities including wholesale sales and fuel purchases. See Note 5, *Fair Value of Financial Instruments*, to this Form 10-Q for discussions regarding counterparty credit risk and retail customer credit risk, and Note 6, *Accounting for Derivative Instruments and Hedging Activities*, to this Form 10-Q for discussion regarding credit risk contingent features.

ITEM 4 — CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of GenOn's management, including the principal executive officer, principal financial officer and principal accounting officer, GenOn conducted an evaluation of the effectiveness of the design and operation of disclosure controls and procedures, as such term is defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act. Based on this evaluation, the Company's principal executive officer, principal financial officer and principal accounting officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in GenOn's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred in the quarter ended June 30, 2018 that materially affected, or are reasonably likely to materially affect, GenOn's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1 — LEGAL PROCEEDINGS

For a discussion of additional material legal proceedings in which GenOn was involved through June 30, 2018, see Note 3, *Chapter 11 Cases* and Note 10, *Commitments and Contingencies,* to the Condensed Consolidated Financial Statements of this Form 10-Q.

Item 1A — RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, *Risk Factors,* in the Company's 2017 Form 10-K. There have been no material changes in the Company's risk factors since those reported in the Company's 2017 Form 10-K.

Item 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3 — DEFAULTS UPON SENIOR SECURITIES

See Note 3, *Chapter 11 Cases*, to the Condensed Consolidated Financial Statements of this Form 10-Q, for a description of events of default by GenOn under the GenOn Senior Notes and the GenOn Americas Generation Senior Notes.

Item 4 — MINE SAFETY DISCLOSURES

Not applicable.

Item 5 — OTHER INFORMATION

None.

Item 6 — EXHIBITS

GenOn Energy, Inc. Exhibit Index

Number	Description	Method of Filing
2.1*	Asset Purchase Agreement by and between Kestrel Acquisitions, LLC, as Purchaser, and NRG Wholesale Generation LP and RRI Energy Services, LLC, as Sellers, dated as of February 22, 2018.	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 27, 2018.
2.2*	Purchase and Sale Agreement, by and among Stonepeak Kestrel Holdings LLC, as Purchaser, NRG Canal LLC, as Seller, and GenOn HoldCo 10, LLC, as Company, dated as of March 22, 2018.	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 23, 2018.
10.1	Letter of Credit Agreement, by and between GenOn Energy, Inc. and Citibank, N.A., dated as of July 14, 2017.	Filed herewith.
10.2	Amendment to Letter of Credit Agreement, by and between GenOn Energy, Inc. and Citibank, N.A., dated as of July 5, 2018.	Filed herewith.
10.3	Settlement Agreement, dated as of December 14, 2017, by and between NRG Energy, Inc. on behalf of itself and the NRG Parties, GenOn Energy, Inc. on behalf of itself and the Debtors.	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 15, 2017.
10.3.1	Term Sheet of modifications to the NRG Settlement Agreement approved by the Bankruptcy Court on July 13, 2018.	Filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) certification of Mark Allen McFarland.	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) certification of Kirkland B. Andrews.	Filed herewith.
31.3	Rule 13a-14(a)/15d-14(a) certification of David Callen.	Filed herewith.
32	Section 1350 Certification.	Furnished herewith.
101 INS	XBRL Instance Document.	Filed herewith.
101 SCH	XBRL Taxonomy Extension Schema.	Filed herewith.
101 CAL	XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101 DEF	XBRL Taxonomy Extension Definition Linkbase.	Filed herewith.
101 LAB	XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101 PRE	XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.

* This filing excludes schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K, which the Registrant agrees to furnish supplementally to the Securities and Exchange Commission upon request by the Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENON ENERGY, INC.
(Registrant)

/s/ MARK ALLEN MCFARLAND

Mark Allen McFarland
Chief Executive Officer
(Principal Executive Officer)

/s/ KIRKLAND B. ANDREWS

Kirkland B. Andrews
Chief Financial Officer
(Principal Financial Officer)

/s/ DAVID CALLEN

David Callen
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 7, 2018

Exhibit 10.1
Execution Version

LETTER OF CREDIT AGREEMENT

Dated as of July 14, 2017

between

GENON ENERGY, INC.,
as Applicant,

CITIBANK, N.A.,
as Issuing Bank, and

CITIGROUP GLOBAL MARKETS INC.
as the Sole Lead Arranger and Sole Bookrunner

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This LETTER OF CREDIT AGREEMENT is entered into as of July 14, 2017, between GENON ENERGY, INC., a Delaware corporation (the "Applicant"), CITIBANK, N.A. ("Citibank" and the "Issuing Bank") (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement").

W I T N E S S E T H :

WHEREAS, on June 14, 2017 (the "Petition Date"), the Applicant filed a voluntary petition with the Bankruptcy Court initiating the Bankruptcy Case that is pending under Chapter 11 of the Bankruptcy Code and has continued in the possession of its assets and in the management of its business pursuant to Section 1107 and 1108 of the Bankruptcy Code;

WHEREAS, the Applicant has requested the Issuing Bank, and the Issuing Bank has agreed to, (i) amend and restate the Existing LC Facility Agreement (as defined below) in the form of this Agreement and (ii) issue from time to time, pursuant to the terms and conditions set forth in this Agreement, new Facility Letters of Credit, so long as the aggregate amount of L/C Exposure (as defined below) with respect to all Letters of Credit hereunder does not exceed the L/C Exposure Cap; and

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Article I

DEFINITIONS

SECTION 1.01 Defined Terms.

As used in this Agreement, the following terms shall have the meanings specified below:

"13-Week Projection" shall mean (i) a projected statement of sources and uses of cash for the Applicant on a weekly basis for a thirteen week period that may or may not include previously concluded weeks, or (ii) if the Applicant does not prepare such thirteen week projections, any other projected statement of sources and uses of cash for the Applicant on a weekly basis for such time period that is closest to thirteen weeks.

"Administrative Claim" shall mean a claim against the Applicant in the Bankruptcy Case for actual and necessary costs and expenses which has administrative expense status pursuant to sections 364, 503(b), 507(a)(2), and 507(b) of the Bankruptcy Code.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Agreement" shall have the meaning assigned to such term in the introductory paragraph of this Agreement.

"Anti-Terrorism Laws" shall have the meaning assigned to such term in Section 3.14(a).

"Applicant" shall have the meaning assigned to such term in the preamble to this Agreement.

"Arranger" means Citigroup Global Markets Inc., as sole lead arranger and sole bookrunner.

"Attorney Costs" shall mean all reasonable and documented fees, out-of-pocket expenses and out-of-pocket disbursements of any law firm or other external legal counsel.

"Bankruptcy Case" shall mean the jointly administered case number 17-3395 commenced in Bankruptcy Court under the Bankruptcy Code by GenOn Energy, Inc. and certain affiliates.

"Bankruptcy Code" shall mean chapter 11 of title 11 of the United States Code.

"Bankruptcy Court" shall mean the United States Bankruptcy Court for the Southern District of Texas.

"Business Day" shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"Cash Equivalents" shall mean:

(1) any evidence of indebtedness issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof with a final maturity not exceeding five years from the date of acquisition;

(2) deposits, certificates of deposit or acceptances of any financial institution that is a member of the Federal Reserve System and whose unsecured long term debt is rated at least "A" by S&P, or at least "A2" by Moody's or any respective successor agency;

(3) commercial paper with a maturity of 365 days or less issued by a corporation (other than an Affiliate of the Applicant) organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and rated at least "A-1" by S&P and at least "P-1" by Moody's or any respective successor agency;

(4) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued or unconditionally guaranteed by the United States or issued by any agency thereof and backed by the full faith and credit of the United States maturing within 365 days from the date of acquisition;

(5) readily marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 365 days from the date of acquisition and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's or any respective successor agency;

(6) demand deposits, savings deposits, time deposits and certificates of deposit of any commercial bank having, or which is the principal banking subsidiary of a bank holding company organized under the laws of the United States, any state thereof or the District of Columbia having, capital and surplus aggregating in excess of $500,000,000 and a rating of "A" (or such other similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) with maturities of not more than 365 days from the date of acquisition; and

(7) money market funds which invest substantially all of their assets in securities described in the preceding clauses (1) through (6).

"Change in Law" shall mean (a) the adoption of any law, treaty, rule or regulation after Effective Date, (b) any change in law, treaty, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) compliance by the Issuing Bank (or, for purposes of Section 2.04(b), by any office of the Issuing Bank or by the Issuing Bank's holding company, if any) with any written request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Effective Date; *provided* that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign

regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Charges" shall have the meaning assigned to such term in Section 8.10.

"Citibank" shall have the meaning assigned to such term in the preamble to this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Communications" shall have the meaning assigned to such term in Section 8.18(a).

"Connection Income Taxes" shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlled" and "Controls" shall have meanings correlative thereto.

"Credit Event" shall have the meaning assigned to such term in Section 4.02.

"Creditors' Committee" shall mean the official committee of unsecured creditors in the Bankruptcy Case, if applicable.

"Debtor" shall mean a legal entity that filed a petition for relief in the jointly administered Bankruptcy Cases.

"Debtor Relief Laws" shall mean the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" shall mean any event or condition that upon notice, lapse of time or both would constitute an Event of Default.

"Designated Jurisdiction" shall mean any country or territory to the extent that such country or territory itself is, or its government is, the subject of any Sanctions (currently, Cuba, Iran, North Korea, Sudan, Syria, and the Crimea region of Ukraine).

"DIP Budget" shall mean any cash flow forecast and budget which sets forth projected receipts and disbursements for the Applicant during the applicable period.

"Dollars" or "$" shall mean lawful money of the United States of America.

"Effective Date" shall mean the first date on which all of the conditions precedent in Section 4.01 are satisfied.

"Embargoed Person" or "Embargoed Persons" shall have the meaning given such term in Section 6.05.

"Environment" shall mean ambient and indoor air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface or subsurface strata, natural resources such as flora and fauna or as otherwise defined in any Environmental Law.

"Environmental Claim" shall mean any claim, cause of action, investigation or notice by any Person, including any Governmental Authority having jurisdiction, alleging any potential or resulting in any liability or costs (including liabilities or costs relating to compliance costs, investigatory costs, cleanup or remediation costs, governmental or third party response costs, natural resource damages, property damage, personal injuries, or fines or penalties) based on or resulting from (A) the presence Release or threatened Release of, or exposure to, any Hazardous Materials at any location, whether or not owned or operated by the Applicant or any of its Subsidiaries, as applicable, or (B) any Environmental Law, including the alleged or actual violation thereof.

"Environmental Law" shall mean collectively, all laws, including common law, that relate to (a) the prevention, abatement or elimination of pollution, or the protection of the Environment, natural resources or human health (including employee health and safety), and (b) the generation, handling, treatment, labeling, storage, transportation, Release of or exposure to Hazardous Materials, including the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. §§9601 et seq., the Endangered Species Act, 16 U.S.C. §§ 1531 et seq., the Federal Land Policy and Management Act, 43 U.S.C. §§ 1701 et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§ 6901 et seq., the Clean Air Act, 42 U.S.C. §§ 7401 et seq., the Clean Water Act, 33 U.S.C. §§ 1251 et seq., the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq., the Emergency Planning and Community Right to Know Act, 42 U.S.C. §§ 11001 et seq., each as amended, and their state or local counterparts or equivalents.

"Equity Interests" of any person shall mean any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such person, including any preferred stock, any limited or general partnership interest and any limited liability company membership interest; *provided* that, for the avoidance of doubt, "Equity Interests" shall not include notes convertible or exchangeable into Equity Interests until such conversion and/or exchange.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Applicant or any Subsidiary, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any Reportable Event; (b) a failure to satisfy the minimum funding standard under Section 412 of the Code or Section 302 of ERISA, whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 303(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, the failure to make by its due date a required installment under Section 430(j) of the Code with respect to any Plan or the failure to make any required contribution to a Multiemployer Plan; (d) a withdrawal by the Applicant, any Subsidiary, or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (e) the incurrence by the Applicant, any Subsidiary or any ERISA Affiliate of any liability under Title IV of ERISA (other than for PBGC premiums due but not delinquent); (f) the receipt by the Applicant, any Subsidiary or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or to appoint a trustee to administer any Plan under Section 4042 of ERISA, or the occurrence of any event or condition which would reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (g) the incurrence by the Applicant, any Subsidiary or any ERISA Affiliate of any Withdrawal Liability from any Multiemployer Plan; (h) the receipt by the Applicant, any Subsidiary or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Applicant, a Subsidiary or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, an at-risk plan or a plan in endangered or critical status within the meaning of Sections 431 and 432 of the Code or Section 304 and 305 of ERISA; or (i) the occurrence of a nonexempt prohibited transaction (within the meaning of Section 4975 of the Code or Section 406 of ERISA) which would reasonably be expected to result in liability to the Applicant or any Subsidiary; or (j) the imposition of a Lien

pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or a violation of Section 436 of the Code with respect to any Plan.

"Event of Default" shall have the meaning assigned to such term in Section 7.01.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Taxes" shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office in, or its applicable lending office in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (a) any U.S. federal withholding Tax imposed on amounts payable to or for the account of such Recipient with respect to an applicable interest in a Letter of Credit pursuant to a law in effect on the date on which (i) such Recipient acquires such interest in the Letter of Credit (other than pursuant to an assignment request by the Applicant under Section 2.07) or (ii) such Recipient changes its lending office, except in each case to the extent that, pursuant to Section 2.05, amounts with respect to such Taxes were payable to Recipient immediately before such Recipient became a party hereto or immediately before such Recipient's designation of a new lending office, (a) any withholding Tax that is attributable to such Recipient's failure to comply with Section 2.05(e) and (a) any U.S. federal withholding Taxes imposed under FATCA.

"Executive Order" shall have the meaning assigned to such term in Section 3.14(a).

"Existing Letters of Credit" shall mean the letters of credit listed on Schedule I hereto.

"Existing LC Facility Agreement" shall mean that certain Letter of Credit Agreement dated as of June 30, 2017, by and among GenOn Energy, Inc., as the applicant and Citibank, N.A. as the issuing bank, as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof.

"Facility Documents" shall mean, collectively, (a) this Agreement, (b) the Fee Letter, (c) the L/C Cash Collateral Agreement, (d) the Final Order, and (e) any other material document executed and delivered by the Applicant to the Issuing Bank in connection therewith or pursuant to any of the foregoing, together with any modification of any term, or any waiver with respect to, any of the foregoing.

"Facility Letter of Credit" shall mean any letter of credit issued by the Issuing Bank in accordance herewith and the Existing Letters of Credit.

"FATCA" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version to the extent that it is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to current Section 1471(b)(1) of the Code and intergovernmental agreements, fiscal or regulatory legislation, rules or practices entered into in connection with the foregoing.

"FCPA" shall mean Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

"Fee Letter" shall mean that certain Structuring Fee Letter, dated as of June 19, 2017, by and between Citibank, N.A. and the Applicant, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Fees" shall mean a collective reference to fees payable under the Fee Letter and all fees payable pursuant to Section 2.03 of this Agreement.

"Final Order" means an order of the Bankruptcy Court, in the form set forth as Exhibit A, with changes to such form as are satisfactory to the Issuing Bank in its sole discretion, entered in the Bankruptcy Case after a final

hearing under Bankruptcy Rule 4001(c)(2) and from which no appeal has been timely filed, or if timely filed, such appeal has been dismissed (unless the Issuing Bank waives such requirement) approving the Facility Documents on a final basis. For the avoidance of doubt, on the Effective Date, all references to the Final Order shall be to the final order (I) authorizing the Debtors' continued performance under intercompany arrangements, (II) authorizing the Debtors to continue ordinary course operations and related financing, and (III) granting related relief (Docket No. 254 (entered on July 14, 2017)).

"Final Order Entry Date" shall mean the date on which the Final Order is entered by the Bankruptcy Court.

"Financial Officer" of any person shall mean the Chief Financial Officer, principal accounting officer, Treasurer, Assistant Treasurer or Controller of such person.

"Financial Statements" shall mean the financial statements of the Applicant and its Subsidiaries delivered in accordance with Section 5.03(a) and (b).

"Fiscal Quarter" shall mean a fiscal quarter of any Fiscal Year.

"Fiscal Year" shall mean, in the case of the Applicant, the fiscal year of the Applicant ending on December 31 of each calendar year.

"GAAP" shall mean generally accepted accounting principles in effect from time to time in the United States, applied on a consistent basis, subject to the provisions of Section 1.02.

"Governmental Authority" shall mean the government of the United States of America, or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Hazardous Materials" shall mean all pollutants, contaminants, wastes, chemicals, materials, substances and constituents, including, without limitation, coal ash, coal combustion by-products or waste, boiler slag, scrubber residue, flue desulfurization material, urea formaldehyde foam insulation, explosive or radioactive substances or petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls or radon gas, of any nature, in each case subject to regulation or which can give rise to liability under any Environmental Law.

"Hedging Obligation" shall mean, with respect to any specified Person, the obligations of such person under (a) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements and (b)(i) agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates, commodity prices or commodity transportation or transmission pricing or availability; (ii) any netting arrangements, power purchase and sale agreements, fuel purchase and sale agreements, swaps, options and other agreements, in each case, that fluctuate in value with fluctuations in energy, power or gas prices; and (iii) agreements or arrangements for commercial or trading activities with respect to the purchase, transmission, distribution, sale, lease or hedge of any energy related commodity or service.

"Indemnified Taxes" shall mean (a) all Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Applicant or its Subsidiaries under any Facility Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Indemnitee" shall have the meaning assigned to such term in Section 8.06(b).

"Information" shall have the meaning assigned to such term in Section 3.12.

"Issuing Bank" shall have the meaning assigned to such term in the preamble to this Agreement. The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"L/C Cash Collateral Agreement" shall mean each certain Pledge Assignment and Control Agreement (or similar agreement) dated as of the Effective Date (subject to Section 2.04(c)) by and between the Applicant and the Issuing Bank in respect the applicable L/C Collateral, in form and substance reasonably satisfactory the Issuing Bank.

"L/C Collateral" shall mean a collective reference to cash and Cash Equivalents held in the Letter of Credit Account.

"L/C Deposit Amount" shall mean, at any time, the total amount on deposit in the Letter of Credit Account pursuant to the terms of this Agreement. The L/C Deposit Amount may be reduced or otherwise adjusted from time in accordance with the terms of this Agreement.

"L/C Disbursement" shall mean a payment or disbursement made by the Issuing Bank, including, for the avoidance of doubt, a payment or disbursement made by the Issuing Bank pursuant to a Letter of Credit upon or following the reinstatement of such Letter of Credit.

"L/C Expiration Date" shall mean that date that is one (1) Business Day prior to the Termination Date.

"L/C Exposure" shall mean, at any time, the sum of (i) the aggregate undrawn face amount of all Letters of Credit then outstanding, plus (ii) all amounts theretofore drawn under Letters of Credit and not yet reimbursed.

"L/C Exposure Cap" shall be $300,000,000; *provided*, that the L/C Exposure Cap shall be reduced from time to time in accordance with the provisions of this Agreement.

"L/C Facility" shall mean the cash collateralized letter of credit facility provided pursuant to the terms of this Agreement, consisting of any Facility Letters of Credit.

"Letter of Credit" shall mean any Facility Letter of Credit maintained in accordance herewith.

"Letter of Credit Account" shall mean the account established by the Issuing Bank for the benefit of the Applicant pursuant to Section 2.01(a) under the sole and exclusive control of the Issuing Bank.

"Lien" shall mean, with respect to any property, (a) any mortgage, deed of trust, lien (statutory or other), judgment liens, pledge, encumbrance, charge, assignment, hypothecation, deposit arrangement, security interest or encumbrance of any kind or any arrangement to provide an effective priority or preference, including any easement, servitude, right-of-way or other encumbrance on title to real property, in each of the foregoing cases whether voluntary or imposed or arising by operation of law, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement and any lease in the nature thereof and any option, call, trust, contractual, statutory, UCC or similar right relating to such property, (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities, and (d) any other arrangement having the effect of providing a security interest.

"Material Adverse Effect" shall mean the existence of events, conditions or circumstances that have had or would reasonably be expected to have (a) a material adverse change in, or material adverse effect upon, the business condition (financial or otherwise), assets or operations of the Applicant and each of its Subsidiaries (x) that is a Debtor or (y) for whose benefit a Letter of Credit has been issued and remains in effect, taken as a whole (in each case other than as a result of events leading up to and following the commencement and prosecution of a proceeding under Chapter 11 of the Bankruptcy Code and the commencement of the Bankruptcy Case), (b) a material impairment of the ability of the Applicant to perform its obligations under the Facility Documents or (c) a material impairment of the rights and remedies of the Issuing Bank under the Facility Documents or a material adverse effect upon the legality,

validity, binding effect or enforceability against the Applicant of the Facility Documents; provided, however, that the filing and prosecution of the Bankruptcy Case and the consequences that customarily result from reorganization under Chapter 11 of the Bankruptcy Code shall not be considered in determining whether there has been a "Material Adverse Effect".

"Maximum Rate" shall have the meaning assigned to such term in Section 8.10.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA and that is subject to Title IV of ERISA with respect to which the Applicant, any Subsidiary or (a) is making or has an obligation to make contributions, (b) has within any of the preceding six plan years made or had an obligation to make contributions or (c) otherwise could incur liability (including any liability on the account of any ERISA Affiliate).

"NRG Credit Agreement" shall mean that certain Second Amended and Restated Credit Agreement, dated as of June 30, 2016 (as amended, restated, supplemented or otherwise modified from time to time), by and among, among others, NRG Energy, Inc. ("NRG"), as the borrower thereunder, Citicorp North America, Inc., as administrative agent and the collateral agent, certain Issuing Banks party thereto and certain lenders party thereto.

"NRG LC Agreement" shall mean that certain Revolving Letter of Credit Reimbursement Agreement, dated as of June 14, 2017, among the Applicant, the Subsidiaries of the Applicant party thereto and NRG as LC Agent thereunder.

"Obligations" shall mean all advances to, and debts, liabilities, obligations, covenants and duties of, the Applicant arising in connection with Letters of Credit including under the L/C Cash Collateral Agreement and the other Facility Documents, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Applicant of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. Without limiting the generality of the foregoing, the obligations of the Applicant under the Facility Documents include the obligation (including guarantee obligations) to pay reimbursement obligations, charges, expenses, fees, Attorney Costs, indemnities and other amounts payable by the Applicant in respect of any Letters of Credit or the L/C Facility.

"OFAC" shall have the meaning assigned to such term in Section 3.14(b)(iv).

"Other Connection Taxes" shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Facility Document, or sold or assigned an interest in any Facility Document).

"Other Taxes" shall mean all present or future stamp, documentary, intangible, recording, filing or similar Taxes from any payment made under any Facility Document or from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, the Facility Documents, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.07).

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Business" shall mean the business of acquiring, constructing, managing, developing, improving, maintaining, leasing, owning and operating power or energy related facilities, together with any related assets or facilities, as well as any other activities reasonably related to, ancillary to, or incidental to, any of the foregoing activities (including acquiring and holding reserves), including investing in power or energy related facilities.

"person" or "Person" shall mean any natural person, corporation, business trust, joint venture, association, company, partnership, limited liability company or government, individual or family trusts, or any agency or political subdivision thereof.

"Petition Date" shall have the meaning assigned to such term in the recitals to this Agreement.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA which is maintained or contributed to by the Applicant, any Subsidiary or with respect to which the Applicant or any Subsidiary could incur liability (including on account of any ERISA Affiliate or under Section 4069 of ERISA).

"Postpetition Material Indebtedness" shall mean any indebtedness for borrowed money incurred after the Petition Date (other than the Facility Letters of Credit hereunder) of the Applicant or any Subsidiary that is a Debtor in an aggregate principal amount equal to or exceeding $15 million.

"Recipient" shall mean the Issuing Bank and permitted assigns or successors, if any.

"Related Parties" shall mean, with respect to any specified person, such person's Affiliates and the respective directors, officers, employees and Issuing Banks of such person and such person's Affiliates.

"Release" shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dumping, disposing or depositing in, into, onto or through the Environment.

"Reorganization Plan" shall mean a plan of reorganization or liquidation in the Bankruptcy Case of the Applicant.

"Reportable Event" shall mean any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder, other than those events as to which the 30-day notice period referred to in Section 4043(c) of ERISA has been waived, with respect to a Plan.

"Responsible Officer" of any person shall mean any executive officer or Financial Officer of such person and any other officer or similar official thereof responsible for the administration of the obligations of such person in respect of this Agreement.

"Restructuring Support Agreement" shall mean that certain Restructuring Support and Lock-Up Agreement, dated as of June 12, 2017, by and among the Applicant and the other parties thereto, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"S&P" shall mean S&P Global Ratings.

"Sanctions" shall mean any trade or economic sanctions administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, or Her Majesty's Treasury.

"SEC" shall mean the Securities and Exchange Commission or any successor thereto.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, directly or indirectly, owned, Controlled or held by the parent or one or more subsidiaries of the parent, or (b) whose accounts are consolidated with the accounts

of the parent or one or more subsidiaries of the parent in such parent's or subsidiary's SEC filings. Unless the context otherwise requires, Subsidiary shall mean a Subsidiary of the Applicant.

"Superpriority Claim" shall mean a claim against the Applicant in the Bankruptcy Case which is an administrative expense claim having priority over all other costs and expenses of administration of the kinds specified and ordered pursuant to any provision of the Bankruptcy Code, including, without limitation, sections 105, 326, 328, 330, 331, 503(b), 507(a), 507(b) and 546(c) of the Bankruptcy Code, and shall at all times be senior to the rights of Applicant, any successor trustee, or any other creditor in the Bankruptcy Case or any subsequent proceedings under the Bankruptcy Code, including, without limitation, any Chapter 7 proceedings if the Bankruptcy Case is converted to a case under Chapter 7 of the Bankruptcy Code.

"Taxes" shall mean any and all present or future taxes, levies, imposts, assessments, duties (including stamp duties), deductions, charges (including ad valorem charges), withholdings (including backup withholding), fees or similar charges imposed by any Governmental Authority and any and all interest, additions to tax and penalties related thereto.

"Termination Date" shall mean the earliest to occur of (a) one year after the Effective Date, (b) forty-five (45) days after the Petition Date if (x) the Effective Date has not occurred prior to the expiration of such 45-day period or (y) the Final Order has not been entered prior to the expiration of such 45-day period (provided that the time period set forth in this clause (b) may be extended with the written consent of the Issuing Bank in its sole discretion), (c) the consummation of a sale of all or substantially all of the assets of the Applicant pursuant to Section 363 of the Bankruptcy Code, (d) the effective date of any plan of reorganization for the Applicant, and (e) the date on which the Obligations consisting of the Letters of Credit Exposure shall have been repaid (or cash collateralized at 103%) and all further commitments and obligations of the Issuing Bank hereunder and under the Facility Documents shall have been irrevocably terminated pursuant to Section 7.01 or otherwise.

"Transactions" shall mean the execution and delivery of this Agreement, the issuance, if any, of Facility Letters of Credit hereunder, the deposit of funds as required hereby, the payment of fees and expenses related thereto.

"Trustee" shall mean the United States Trustee for the Southern District of Texas.

"UCC" shall mean the Uniform Commercial Code as in effect in the applicable state of jurisdiction.

"USA PATRIOT Act" shall have the meaning assigned to such term in Section 8.19.

"U.S. Person" shall mean any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Terms Generally. The definitions set forth or referred to in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "assets" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Any reference to any law or regulation herein shall refer to such law or regulation as amended, modified or supplemented from time to time. Except as otherwise expressly provided herein, any reference in this Agreement to any Facility Document shall mean such document as amended, restated, supplemented or otherwise modified from time to time. Except as otherwise expressly provided herein, all terms of an

accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided* that, if the Applicant notifies the Issuing Bank that the Applicant requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.03 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the maximum amount available to be drawn of such Letter of Credit in effect at such time; *provided*, *however*, that with respect to any Letter of Credit that, by its terms or the terms of any related document, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II

THE CREDITS

SECTION 2.01 Collateralized L/C Accounts.

(a) Establishment of Letter of Credit Account. Subject to the terms and conditions set forth herein and in the Final Order, the Applicant shall establish the Letter of Credit Account on or prior to the Effective Date. Amounts on deposit in the Letter of Credit Account shall be invested, or caused to be invested, by the Issuing Bank solely as set forth in subsection (d) below.

(b) Deposits in Letter of Credit Account. On the Effective Date, the Letter of Credit Account will be funded by the Applicant with cash of the Applicant and its Subsidiaries in an amount equal to $3,030,000 (the "Initial Deposit"). Thereafter, the Letter of Credit Account will be funded by the Applicant from time to time in an amount not to exceed 101% of the L/C Exposure Cap (except as required pursuant to Section 2.02(c)).

(c) Withdrawals from and Closing of Letter of Credit Account. Amounts on deposit in the Letter of Credit Account shall be withdrawn and distributed as follows:

(i) on any date on which the Issuing Bank is to be reimbursed by the Applicant for any payment or reimbursement made by the Issuing Bank with respect to a Letter of Credit, the Issuing Bank shall, unless the Applicant shall have so reimbursed the Issuing Bank in cash in accordance with Section 2.05(e), withdraw from the Letter of Credit Account an amount equal to the amount of such payment or reimbursement;

(ii) if, at any time, amounts in the Letter of Credit Account shall be greater than 101% of the L/C Exposure at such time (except as required pursuant to Section 2.02(c)), then the Applicant may withdraw the amount of such excess, *provided* that at such time (i) no Default has occurred and is continuing or would result therefrom, (ii) the Applicant shall have delivered to the Issuing Bank a certificate executed by a Financial Officer to the foregoing effect and (iii) after giving effect to such withdrawal, the L/C Deposit Amount would not be less than 101% of the L/C Exposure at such time (except as required pursuant to Section 2.02(c)); and

(iii) upon the Termination Date and the expiration or cancellation of all outstanding Letters of Credit (or the establishment of a "backstop" letter of credit or other cash collateralization thereof at 103%, in each case, pursuant to arrangements satisfactory to the Issuing Bank in its sole discretion), the Issuing Bank (x) shall withdraw from the Letter of Credit Account the aggregate

amount then on deposit therein and make such funds available to the Applicant and (y) shall close the Letter of Credit Account.

(d) Investment of L/C Deposit Amount. The Issuing Bank may, on behalf of the Applicant, invest the L/C Deposit Amount in an account or investment maintained by the Issuing Bank or an Affiliate thereof, in each case reasonably acceptable to the Applicant and the Issuing Bank in their respective sole discretion.

SECTION 2.02 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein and in the Final Order, the Applicant may request the issuance of Facility Letters of Credit for its own account or the account of any direct or indirect Subsidiary of Applicant in a form reasonably acceptable to the Issuing Bank in its sole discretion, at any time and from time to time from the Effective Date and prior to the L/C Expiration Date. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Applicant to, or entered into by the Applicant with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. It is hereby acknowledged and agreed that each of the Existing Letters of Credit shall constitute a "Facility Letter of Credit" for all purposes of this Agreement and shall be deemed issued under this Agreement on the Effective Date; *provided* that to the extent the Applicant is not the applicant thereunder (i) such Existing Letter of Credit is amended so that the Applicant is listed as an applicant thereunder and (ii) a notice of such amendment has been provided to the beneficiary of such Existing Letter of Credit; *provided further* that from and after the Effective Date, the Applicant and the Issuing Bank agree that each Existing Letter of Credit and any letter of credit application related thereto shall be solely the Obligation of the Applicant hereunder and shall not be an obligation of NRG or any Subsidiary of NRG under the NRG Credit Agreement or the NRG LC Agreement or any related document executed in connection with the NRG Credit Agreement or the NRG LC Agreement.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Facility Letter of Credit (or the amendment, renewal (other than an automatic renewal in accordance with paragraph (c) of this Section 2.02) or an extension of an outstanding Letter of Credit), the Applicant shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank (two (2) Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Facility Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section 2.02), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to issue, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Applicant also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Facility Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Applicant shall be deemed to represent and warrant that), after giving effect to such issuance amendment, renewal or extension and the payment of all Obligations then due and payable, the L/C Deposit Amount shall not be less than 101% of the L/C Exposure (after giving effect to any substantially simultaneous reduction in the L/C Exposure and any increases to the L/C Deposit Amount in connection with the release of any cash collateral held in respect of a letter of credit that is to be replaced by such Facility Letter of Credit; *provided* that the Applicant agrees to provide irrevocable instructions to the related depositary bank (if any) to effectuate the transfer of such funds to the Letter of Credit Account promptly after it receives confirmation that the letter of credit being replaced by such Facility Letter of Credit has expired or otherwise terminated in accordance with its terms); and *provided*, *further*, that, (i) no new Facility Letter of Credit shall be issued if the conditions to such issuance have not been met, and (ii) the Issuing Bank shall not be required to issue, amend or renew any Letter of Credit (except to reduce the face amount thereof) if, (A) after giving effect thereto, the L/C Exposure with respect to all Letters of Credit would exceed the L/C Exposure Cap, or (B) (1) any event of default or other condition shall occur with respect to any Postpetition Material Indebtedness, the effect of which is to enable or permit (with all applicable grace periods having expired) the holder or holders of such Postpetition Material Indebtedness or any trustee or Issuing Bank on its or their behalf to cause such Postpetition Material Indebtedness to become due, or require the prepayment, repurchase, redemption or defeasance thereof, prior to scheduled maturity,

or such Postpetition Material Indebtedness shall become due and payable prior to its stated maturity or (2) the Applicant or any of the Subsidiaries shall fail to pay the principal of any Postpetition Material Indebtedness at the stated final maturity thereof.

(c) Letter of Credit Expiration Date. Each Facility Letter of Credit shall expire at or prior to the close of business on the earlier of the date one year after the date of the issuance of such Facility Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension); *provided* that any Facility Letter of Credit with a one-year tenor may provide for the automatic renewal thereof for additional one-year periods (which, in no event, shall extend beyond the date referred to in clause (B) of this paragraph (c)) and the L/C Expiration Date; *provided* that, notwithstanding the foregoing, if the other conditions to issuance are then satisfied, the Applicant may request the issuance of a Facility Letter of Credit (prior to the L/C Expiration Date) having an expiry date that is later than the L/C Expiration Date (but in no event later than the date that is twelve (12) months after the L/C Expiration Date) *provided, further* that, until the Termination Date, such Facility Letters of Credit shall be cash collateralized in an amount equal to 101% of the relevant L/C Exposure, and after the Termination Date, such Facility Letters of Credit shall be cash collateralized (as otherwise provided for herein) in an amount equal to 103% of the relevant L/C Exposure, and all obligations in this Agreement to cash collateralize such Facility Letters of Credit shall survive the satisfaction or discharge of all other Obligations and the termination of this Agreement or any other Facility Document.

(d) Reimbursement. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, the Applicant shall be liable for reimbursing such L/C Disbursement by paying to the Issuing Bank an amount equal to such L/C Disbursement in Dollars, not later than 5:00 p.m., New York time, on the Business Day immediately following the date the Applicant receives notice under paragraph (f) of this Section 2.02 of such L/C Disbursement; *provided* that, the Applicant's reimbursement obligation shall be satisfied by funds withdrawn by the Issuing Bank from the Letter of Credit Account and transferred to the Issuing Bank.

(e) Repayment of Letters of Credit. The Applicant's obligation to reimburse the Issuing Bank with respect to the drawing upon of any Letter of Credit shall be satisfied by funds withdrawn from the Letter of Credit Account by the Issuing Bank in accordance with Section 2.01(c)(i).

(f) Obligations Absolute. The obligation of the Applicant to reimburse the Issuing Bank for L/C Disbursements as provided in paragraph (d) of this Section 2.02 shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.02, constitute a legal or equitable discharge of, or provide a right of setoff against, the Applicant's obligations hereunder; *provided* that, in each case, payment by the Issuing Bank shall not have constituted gross negligence or willful misconduct. Neither the Issuing Bank nor any of its Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; *provided* that the foregoing shall not be construed to excuse the Issuing Bank from liability to the extent of any direct damages (as opposed to consequential or punitive damages, claims in respect of which are hereby waived to the extent permitted by applicable law) suffered by the Applicant that are determined by a court having jurisdiction to have been caused by (i) the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof or (ii) the Issuing Bank's refusal to issue a Letter of Credit in accordance with the terms of this Agreement. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank, the Issuing Bank shall be deemed to have exercised care in each such determination and each refusal to issue a Letter of Credit. In

furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Applicant and the applicable Subsidiary (if such Letter of Credit is issued for the account of such Subsidiary) by electronic communication of such demand for payment and whether the Issuing Bank has made or will make a L/C Disbursement thereunder; *provided* that any failure to give or delay in giving such notice shall not relieve the Applicant of its obligation to reimburse the Issuing Bank.

(h) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Applicant, the Issuing Bank and the successor to the Issuing Bank. At the time any such replacement or resignation shall become effective, the Applicant shall pay all unpaid fees accrued for the account of the replaced or retiring Issuing Bank pursuant to Section 2.03. From and after the effective date of any such replacement or resignation, (i) the successor to the Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to the previous Issuing Bank, or to such successor and the previous Issuing Banks, as the context may require. After the replacement or resignation of the Issuing Bank hereunder, the replaced or retired Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement but shall not be required to issue additional Facility Letters of Credit.

SECTION 2.03 Fees.

(a) The Applicant agrees to pay to the Issuing Bank (x) ten (10) Business Days after the last day of March, June, September and December of each year a fronting fee in respect of each Letter of Credit issued by the Issuing Bank for the period from and including the date of issuance of such Letter of Credit to and including the termination of such Letter of Credit, computed at a rate equal to 0.125% (or such other percentage to be mutually agreed upon between the Applicant and the Issuing Bank) per annum of the daily average stated amount of such Letter of Credit), plus (y) in connection with the issuance, amendment or transfer of any such Letter of Credit or any L/C Disbursement thereunder, the Issuing Bank's customary documentary and processing charges (collectively, "Fees"). All Fees that are payable on a per annum basis shall be computed on the basis of the actual number of days elapsed in a year of 360 days. All Fees shall be paid directly to the Issuing Bank, as applicable. Once paid, none of the Fees shall be refundable under any circumstances.

(b) The Applicant shall also pay all fees pursuant to the Fee Letter in accordance with the terms thereof; *provided* that it shall not be a breach of this provision if the Applicant shall fail to timely pay any such quarterly fee as the direct result of not having received an invoice from the Issuing Bank, but only if when subsequently received by the Applicant, the Applicant pays such invoiced fee within five (5) Business Days after receipt thereof.

SECTION 2.04 Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar capital or liquidity requirement against assets of, deposits with or for the account of, or credit extended by, the Issuing Bank;

(ii) subject the Issuing Bank to any Taxes (other than for (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on: (1) any Letter of Credit, (2) any Facility Document, (3) the performance by the

Issuing Bank of its obligations with respect to any Facility Document, or (4) change the basis of Tax applicable to payments to the Issuing Bank in respect thereof; or

(iii) impose on the Issuing Bank any other condition, cost or expense (other than Taxes) affecting this Agreement or Letters of Credit issued by the Issuing Bank;

and the result of any of the foregoing shall be to increase the cost to the Issuing Bank of issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Applicant will pay to the Issuing Bank such additional amount or amounts as will compensate the Issuing Bank for such additional costs incurred or reduction suffered.

(b) If the Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Issuing Bank's capital or on the capital of the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Letters of Credit issued by the Issuing Bank, to a level below that which the Issuing Bank or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration the Issuing Bank's policies and the policies of the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Applicant shall pay to the Issuing Bank such additional amount or amounts as will compensate the Issuing Bank or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of the Issuing Bank setting forth the amount or amounts necessary to compensate the Issuing Bank or its holding company, as specified in paragraph (a) or (b) of this Section 2.04 shall be delivered to the Applicant and shall be conclusive absent manifest error. The Applicant shall pay the Issuing Bank the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Promptly after the Issuing Bank, has determined that it will make a request for increased compensation pursuant to this Section 2.04, the Issuing Bank shall notify the Applicant thereof. Failure or delay on the part of the Issuing Bank to demand compensation pursuant to this Section 2.04 shall not constitute a waiver of the Issuing Bank's right to demand such compensation; *provided* that the Applicant shall not be required to compensate the Issuing Bank pursuant to this Section 2.04 for any increased costs or reductions incurred more than one hundred eighty (180) days prior to the date that the Issuing Bank notifies the Applicant of the Change in Law giving rise to such increased costs or reductions and of the Issuing Bank's intention to claim compensation therefor; *provided*, *further*, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding any other provision of this Section 2.04, the Issuing Bank shall not demand compensation for any increased cost or reduction pursuant to this Section 2.04 if it shall not at the time be the general policy and practice of the Issuing Bank to demand such compensation in similar circumstances under comparable provisions of other letter of credit agreements.

SECTION 2.05 Taxes.

(a) Any and all payments by or on account of any obligation of the Applicant under any Facility Document shall be made free and clear of and without deduction or withholding for any Taxes except as required by applicable law. If any applicable law (as determined in the good faith discretion of the Applicant or applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by Applicant or applicable withholding agent, then the Applicant or applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Applicant shall be increased as necessary so that after such deduction or withholding has been made (including such deductions or withholdings applicable to additional sums payable under this Section 2.05(a)) the applicable Recipient receives an amount equal to the sum it would have received had no such deductions or withholding been made.

(b) The Applicant shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Applicant shall indemnify each Recipient within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes payable by such Recipient on or with respect to any payment by or on account of any obligation of the Applicant under any Facility Document (including any Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.05) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Applicant by the Issuing Bank shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Taxes by the Applicant to a Governmental Authority, the Applicant shall deliver to the Issuing Bank the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Issuing Bank.

(e) Any Recipient that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Facility Document, shall deliver to the Applicant or the applicable withholding agent, at the time or times reasonably requested by the Applicant or the applicable withholding agent, such properly completed and executed documentation reasonably requested as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, if reasonably requested by the Applicant or the applicable withholding agent, any Recipient shall deliver such other documentation prescribed by applicable law or reasonably requested by the Applicant or the applicable withholding agent as will enable the Applicant and any applicable withholding agent to determine whether or not such Recipient is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.05(e)(i), (ii) and (iii)) shall not be required if in the Recipient's reasonable judgement such completion, execution or submission would subject such Recipient to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Recipient.

Without limiting the generality of the foregoing:

(i) Each Recipient shall deliver to the Applicant (and, if applicable, to the withholding agent) on or before the date on which it becomes a party to this Agreement (and from time to time thereafter upon the request of the Applicant or an applicable withholding agent) two properly completed and duly signed copies of Internal Revenue Service Form W-9 (or any successor forms) certifying that such Recipient is exempt from U.S. federal backup withholding.

(ii) If any Recipient is not a U.S. Person shall deliver to the Applicant (and, if applicable, to the withholding agent) (in such number of copies as shall be requested by Applicant and the applicable withholding agent) on or prior to the date on which such Recipient becomes a party to this Agreement or to any Facility Document (and from time to time thereafter upon the reasonable request of the Applicant or an applicable withholding agent), executed originals of any form prescribed by applicable law or other documentation reasonably requested by the Applicant or an applicable withholding agent that will result in no U.S. federal withholding with respect to payments made under any Facility Document;

(iii) If a payment made to a Recipient under any Facility Document would be subject to U.S. federal withholding Tax imposed by FATCA if the Recipient were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Sections 1471(b) or 1472(b) of the Code, as applicable), such Recipient shall deliver to the Applicant (or applicable withholding agent) at the time or times prescribed by applicable law and at such time or times reasonably requested by the Applicant or the applicable withholding agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and

such additional documentation reasonably requested by the Applicant or the applicable withholding agent as may be necessary (as determined by the Applicant or the applicable withholding agent) (A) for the Applicant and the applicable withholding agent to comply with its obligations under FATCA and (B) to determine whether the Recipient has or has not complied with the Recipient's obligations under FATCA and, if necessary, to determine the amount to deduct and withhold from such payment. For purposes of this clause (iii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iv) Notwithstanding any other provision of this Section 2.05(e), the Issuing Bank shall not be required to deliver any form that the Issuing Bank is not legally eligible to deliver.

Each Recipient agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Applicant or the applicable withholding agent in writing of its legal inability to do so.

(f) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.05 (including any payment of additional amounts pursuant to this Section 2.05), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.05 with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. This paragraph (f) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to the indemnifying party or any other person. Notwithstanding anything to the contrary in this paragraph (f), in no event will indemnifying party be required to pay amounts to the indemnified party pursuant to this paragraph (f) to the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax has never been paid.

(g) For purposes of this Section 2.05, the term "applicable law" includes FATCA.

(h) Each party's obligations under this Section 2.05 shall survive the resignation or replacement of the Issuing Bank, the termination of the Letters of Credit and the repayment, satisfaction or discharge of all obligations under any Facility Document.

SECTION 2.06 Payments Generally.

Unless otherwise specified, the Applicant shall make each payment required to be made by it hereunder (whether of fees or reimbursement of L/C Disbursements of amounts payable under Section 2.04 or Section 2.05, or otherwise) prior to 2:00 p.m., New York time, on the date when due, in immediately available funds, without condition or deduction for any defense, recoupment, set-off or counterclaim. Any amounts received after such time on any date (other than payments made by the Issuing Bank by withdrawing and applying such amounts from the Letter of Credit Account) may, in the discretion of the Issuing Bank, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Issuing Bank to the applicable account designated to the Applicant by the Issuing Bank. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day. All payments hereunder of (i) reimbursement obligations with respect to any Letter of Credit or (ii) any other amount due hereunder or under another Facility Document shall be made in Dollars.

SECTION 2.07 Mitigation Obligations. If the Issuing Bank requests compensation under Section 2.04, or if the Applicant is required to pay any additional amount to the Issuing Bank or any

Governmental Authority for the account of the Issuing Bank pursuant to Section 2.05, then the Issuing Bank shall use reasonable efforts to designate a different issuing office for funding the Letters of Credit hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the reasonable judgment of the Issuing Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.04 or Section 2.05, as applicable, in the future and (ii) would not subject the Issuing Bank to any material unreimbursed cost or expense and would not otherwise be disadvantageous to the Issuing Bank in any material respect. The Applicant hereby agrees to pay all reasonable costs and expenses incurred by the Issuing Bank in connection with any such designation or assignment.

SECTION 2.08 Accrued Interest in Letter of Credit Collateral Account. On the last Business Day of each month, the Issuing Bank shall pay (or cause to be paid) any accrued interest in respect of the Letter of Credit Account to the Applicant.

SECTION 2.09 Priority and Liens.

(a) The Applicant hereby covenants and agrees that upon the entry of, and subject to, the Final Order, its Obligations hereunder and under the Facility Documents: (i) pursuant to Section 364(c)(1) of the Bankruptcy Code, shall at all times constitute an allowed Administrative Claim in the Bankruptcy Case and (ii) pursuant to Section 364(c)(2) of the Bankruptcy Code, shall at all times be secured by a valid, binding, continuing, enforceable, non-avoidable, fully perfected first priority Lien (subject to the terms of the L/C Cash Collateral Agreement and the Final Order) on all of its cash maintained in the Letter of Credit Account and any investment of the funds contained therein.

(b) The relative priorities of the Liens described in this Section 2.09 with respect to the L/C Collateral shall be as set forth in the Final Order and the L/C Cash Collateral Agreement. In accordance with the Final Order, all of the Liens described in this Section 2.09 shall be effective and perfected upon entry of the Final Order without the necessity of filing, executing or recording financing statements, security agreements, control agreements, or other documents. If the Issuing Bank, in its sole discretion, nonetheless chooses to file such financing statements, security agreements, control agreements, or other documents or otherwise confirm perfection of any security interests and Liens, the Issuing Bank is authorized to effect such filings and recordations, and all such financing statements, security agreements, control agreements, or similar documents shall be deemed to have been filed or recorded as of the Petition Date.

SECTION 2.10 No Discharge; Survival of Claims. The Applicant agrees that (a) its Obligations under the Facility Documents shall not be discharged by the entry of an order confirming a Reorganization Plan (and the Applicant, pursuant to Section 1141(d)(4) of the Bankruptcy Code, hereby waives any such discharge) and (b) the Administrative Claim granted to the Issuing Bank pursuant to the Final Order and the Liens granted to the Issuing Bank pursuant to the Final Order shall not be affected in any manner by the entry of an order confirming a Reorganization Plan.

SECTION 2.11 Payment of Obligations. Upon the Termination Date, the Obligations of the Applicant under this Agreement or any of the other Facility Documents shall be due and payable (other than indemnification and other contingent obligations, in each case, not then due and payable) and all outstanding Letters of Credit shall be, at the election of the Applicant (a) canceled or returned, (b) cash collateralized at 103% or (c) be subject to such other treatment as agreed to in writing by the Issuing Bank in its sole discretion and the Issuing Bank shall be entitled to immediate payment in cash in full of such Obligations without further application to or order of the Bankruptcy Court.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Applicant represents and warrants to the Issuing Bank that:

SECTION 3.01 Organization; Powers. The Applicant and each of its Subsidiaries (x) that is a Debtor or (y) for whose benefit a Letter of Credit has been issued and remains in effect (a) is a partnership, limited liability company or corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its assets and to carry on its business as now conducted, (c) is qualified to do business in each jurisdiction where such qualification is required, except where the failure so to qualify would not reasonably be expected to have a Material Adverse Effect, and (d) subject to the entry of the Final Order, has the power and authority to execute, deliver and perform its obligations under each of the Facility Documents and each other agreement or instrument contemplated thereby to which it is or will be a party and, in the case of the Applicant, to borrow and otherwise obtain credit hereunder.

Notwithstanding the foregoing, the representations contained in this Section 3.01 shall only be made (or deemed made) with respect to any Subsidiary if and to the extent that the inaccuracy thereof could not reasonably be expected to be material to the interests of the Issuing Bank.

SECTION 3.02 Authorization. Subject to the entry of the Final Order, the execution, delivery and performance by the Applicant of each of the Facility Documents to which it is a party (a) have been duly authorized by all corporate or stockholder action required to be obtained by the Applicant and (b) will not violate (i) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or by-laws of the Applicant, (ii) any applicable order of any court or any rule, regulation or order of any Governmental Authority or (iii) any indenture, agreement or other instrument to which the Applicant is a party, with respect to clauses (ii) and (iii) where any such violation would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.03 Enforceability. Subject in each case to the entry of the Final Order, this Agreement has been duly executed and delivered by the Applicant and constitutes, and each other Facility Document when executed and delivered by the Applicant will constitute, a legal, valid and binding obligation of the Applicant enforceable against the Applicant in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3.04 Governmental Approvals. Subject to the entry of the Final Order, no action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions except for (a) such consents, authorizations, filings or other actions that have been made or obtained and are in full force and effect and (b) such actions, consents and approvals the failure to be obtained or made which would not reasonably be expected to have a Material Adverse Effect.

SECTION 3.05 Financial Statements. There has heretofore been furnished to the Issuing Bank the consolidated balance sheets as of December 31, 2016 and related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows of GenOn Energy, Inc. and its subsidiaries for the fiscal year ended December 31, 2016, audited by KPMG LLP, independent public accountants, and certified by the chief financial officer of GenOn Energy, Inc.; such financial statements (A) have been prepared in accordance with GAAP and (B) present fairly and accurately the consolidated financial condition and results of operations and cash flows of the Applicant and its subsidiaries as of the dates and for the periods to which they relate.

SECTION 3.06 [Reserved].

SECTION 3.07 No Material Adverse Effect. Since December 31, 2016, there has been no event or occurrence that has resulted in or would reasonably be expected to result in, individually or in the aggregate, any Material Adverse Effect.

SECTION 3.08 Litigation; Compliance with Laws.

(a) Except for the Bankruptcy Case and as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, there are no actions, suits, investigations or proceedings at law or in equity or by or on behalf of any Governmental Authority or in arbitration now pending against, or, to the knowledge of the Applicant, threatened in writing against, the Applicant or any of its Subsidiaries (x) that is a Debtor or (y) for whose benefit a Letter of Credit has been issued and remains in effect or any business, property or rights of any such person as of the Effective Date, that involve any Facility Document or the Transactions. To the knowledge of the Applicant, there are no existing facts or circumstances (including any Releases of Hazardous Materials) that could reasonably be expected to result in the assertion of any such Environmental Claim.

(b) None of the Applicant, the Subsidiaries or their respective assets is, as of the Effective Date, in violation of (nor will the continued operation of their material assets as currently conducted violate) any currently applicable law, rule or regulation, in each case, except where such violation or default would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To the knowledge of the Applicant, continued compliance with Environmental Laws (including those that are or are expected to become applicable) can be timely attained and maintained without material expense.

Notwithstanding the foregoing, the representations contained in this Section 3.08 shall only be made (or deemed made) with respect to any Subsidiary if and to the extent that the inaccuracy thereof would not reasonably be expected to be material to the interests of the Issuing Bank.

SECTION 3.09 Investment Company Act. The Applicant is not an "investment company" as defined in, or subject to registration under, the Investment Company Act of 1940, as amended.

SECTION 3.10 Use of Letters of Credit. No Letter of Credit issued pursuant to this Agreement shall be used by the Applicant (i) in any way that would violate the provisions of Section 3.14, Section 6.05, or Section 6.06 or (ii) as credit support for any Postpetition Material Indebtedness.

SECTION 3.11 Tax Returns.

(a) Each of the Applicant and each of its Subsidiaries has timely filed or caused to be timely filed all federal, state, local and non-U.S. Tax returns required to have been filed by it that are material to such companies taken as a whole and each such Tax return is true and correct in all material respects, has timely paid or caused to be timely paid all material Taxes shown thereon to be due and payable by it and all other material Taxes or assessments, except Taxes or assessments that are being contested in good faith by appropriate proceedings in accordance with Section 5.02 and for which the Applicant or any of its Subsidiaries (as the case may be) has set aside on its books adequate reserves in accordance with GAAP and has materially complied with all of its obligations in its capacity as withholding agent under applicable law;

(b) Each of the Applicant and each of its Subsidiaries has paid in full or made adequate provision (in accordance with GAAP) for the payment of all Taxes not yet due, which Taxes, if not paid or adequately provided for, would individually or in the aggregate reasonably be expected to have a Material Adverse Effect; and

(c) Other than as would not be, individually or in the aggregate, reasonably expected to have a Material Adverse Effect: with respect to each of the Applicant and its Subsidiaries, there are no claims being asserted in writing with respect to any Taxes (other than any claims filed with the Bankruptcy Court), no presently effective waivers or extensions of statutes of limitation with respect to Taxes have been given or requested and no Tax returns are being examined by, and no written notification of intention to examine has been received from, the Internal Revenue Service or any other taxing authority.

SECTION 3.12 No Material Misstatements. All written information (other than any projections, estimates and information of a general economic and/or industry nature) (the "Information") concerning the Applicant, the Subsidiaries, the Transactions and any other transactions contemplated hereby prepared by or on behalf of the foregoing or their representatives (excluding any reserve reports) and made available to the Issuing Bank in connection with the Transactions, when taken as a whole, were true and correct in all material respects, as of the date such Information was furnished to the Issuing Bank and as of the Effective Date and did not contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were made.

SECTION 3.13 Employee Benefit Plans. Each of the Applicant, the Subsidiaries and the ERISA Affiliates is in compliance with the applicable provisions of ERISA and the provisions of the Code relating to Plans and the regulations and published interpretations thereunder, except for such noncompliance that would not reasonably be expected to have a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other ERISA Events which have occurred or for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

SECTION 3.14 Anti-Terrorism, Sanctions, and FCPA.

(a) The Applicant and, to the knowledge of the Applicant, the officers, directors, employees, brokers, or Affiliates of the Applicant are in compliance in all material respects with any laws relating to: (1) terrorism or money laundering ("Anti-Terrorism Laws"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56; (2) Sanctions; and (3) the FCPA

(b) Neither the Applicant nor any Subsidiary, nor, to the knowledge of the Applicant any officers, directors, employees, broker, or Affiliate of the Applicant acting or benefiting in any capacity in connection with any Letter of Credit is, or is owned or controlled by one or more persons that are, any of the following:

(i) a person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a person owned or controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise a target of, the Executive Order;

(iii) a person with which the Issuing Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law or Sanctions;

(iv) a person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list; or

(v) a person that is (i) currently the subject or target of any Sanctions or (ii) located, organized or resident in a Designated Jurisdiction.

(c) Neither the Applicant nor any Subsidiary, and, to the knowledge of the Applicant, no officers, directors or employees thereof, when acting on behalf of any Subsidiary has taken any action, directly or indirectly, that would result in a violation by such persons of the FCPA, including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Applicant, its

Subsidiaries and, to the knowledge of the Applicant, its Affiliates have conducted their businesses in compliance with the FCPA in all material respects.

ARTICLE IV

CONDITIONS OF EFFECTIVENESS AND OBLIGATION TO ISSUE LETTERS OF CREDIT

SECTION 4.01 Conditions Precedent to Effectiveness. The effectiveness of this Agreement and the obligation of the Issuing Bank to issue Letters of Credit hereunder is subject to the satisfaction of the following conditions precedent (except to the extent expressly provided otherwise in this Section 4.01):

(a) The Arranger and the Issuing Bank shall each have received the following, each dated as of the Effective Date (unless otherwise specified) and in form and substance satisfactory to the Issuing Bank:

(i) An executed counterpart of this Agreement from the Applicant;

(ii) Certified copies of the resolutions of the board of directors of the Applicant approving the Transactions and entry into the Facility Documents to which it is a party;

(iii) A copy of the charter or other constitutive document of the Applicant and each amendment thereto, certified by an officer of the Applicant as being a true and correct copy thereof;

(iv) A certificate of an officer of the Applicant certifying the names and true signatures of the officers of the Applicant authorized to sign each Facility Document to which it is or is to be a party and the other documents to be delivered hereunder and thereunder;

(v) A customary legal opinion of Kirkland & Ellis LLP, as special counsel to the Applicant, with respect to corporate matters and the Final Order;

(vi) A certificate of good standing for the Applicant from the applicable secretary of state or similar official in its jurisdiction of organization (as of a date reasonably near the Effective Date);

(vii) [Reserved];

(viii) A certificate of a Responsible Officer of the Applicant reasonably satisfactory in form and substance to the Issuing Bank:

(A) stating that each of the representations and warranties made by the Applicant in or pursuant to the Agreement are true and correct in all material respects on the Effective Date, *provided* that any representation or warranty qualified as to materiality shall be true and correct in all respects and any representation or warranty made solely with respect to a specified prior date shall be true and correct in all material respects (subject to clause (1) of this proviso) as of such specified date; and

(B) stating that no Default or Event of Default after giving effect to Transactions; and

(ix) An executed counterpart of the L/C Cash Collateral Agreement in respect of the Letter of Credit Account from the Applicant.

(b) [Reserved].

(c) All costs, fees, expenses (including, without limitation, reasonable and documented legal fees and expenses) and other compensation, payable to the Issuing Bank shall have been paid to the extent due and invoiced at least one (1) day prior to the Effective Date.

(d) The representations and warranties of the Applicant contained in each Facility Document to which it is a party shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality) on and as of the Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects (or if applicable, in all respects) as of such earlier date).

(e) At the time of and immediately after the Effective Date, no Default or Event of Default shall have occurred and be continuing.

(f) [Reserved].

(g) The Final Order Entry Date shall have occurred and the Final Order shall be in full force and effect and shall not have been reversed, stayed, modified, or vacated on appeal.

(h) [Reserved]

(i) No trustee under Chapter 7 or Chapter 11 of the Bankruptcy Code or examiner with enlarged powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code shall have been appointed in the Bankruptcy Case.

(j) Since December 31, 2016, there shall have been no Material Adverse Effect.

(k) The amount of the L/C Facility on the Effective Date shall not exceed the amount authorized by the Final Order.

SECTION 4.02 All Credit Events. On the date of each issuance, amendment (other than an amendment that does not extend the expiry date or change the amount available to be drawn), extension or renewal of a Letter of Credit (each such event a "Credit Event"):

(a) The Issuing Bank shall have received a notice requesting any issuance of a Letter of Credit.

(b) The representations and warranties of the Applicant contained in each Facility Document to which it is a party shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality) on and as of the date of such Credit Event with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects (or if applicable, in all respects) as of such earlier date).

(c) At the time of and immediately after such Credit Event, no Default or Event of Default shall have occurred and be continuing.

(d) At no time shall the aggregate amount of any Facility Letter of Credit, together with the aggregate principal amount of all Facility Letters of Credit then outstanding, exceed the amount under the L/C Facility authorized by the Final Order. At the time of the issuance of any Facility Letter of Credit the Final Order shall be in full force and effect, and shall not have been vacated or reversed, shall not be subject to a stay, and shall not have been modified or amended in any respect without the prior written consent of the Issuing Bank in its sole discretion; and if the Final Order is the subject of a pending appeal in any respect, neither the issuance of any Facility Letter of Credit, the performance by the Applicant of its obligations under any of the Facility Documents, nor the security

interest of the Issuing Bank pursuant to the terms of the Facility Documents shall be the subject of a presently effective stay pending appeal.

(e) The Final Order shall be in full force and effect and shall not have been reversed, stayed, modified, or vacated on appeal.

Each Credit Event shall be deemed to constitute a representation and warranty by the Applicant on the date of such Credit Event as to the applicable matters in this Section 4.02.

ARTICLE V

AFFIRMATIVE COVENANTS

The Applicant covenants and agrees with the Issuing Bank that until the Termination Date has occurred and all Fees and all other expenses or amounts payable under any Facility Document shall have been paid in full and discharged (other than indemnification and other contingent obligations, in each case, not then due and payable), unless the Issuing Bank shall otherwise consent in writing, the Applicant will and will cause each of its Subsidiaries (x) that is a Debtor or (y) for whose benefit a Letter of Credit has been issued and remains in effect to:

SECTION 5.01 Existence; Businesses and Properties. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except where failure to do so would not reasonably be expected to have a Material Adverse Effect.

SECTION 5.02 Payment of Obligations. Pay and discharge promptly when due all material Taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default; *provided*, *however*, that such payment and discharge shall not be required with respect to any such Tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings, and the Applicant or the affected Subsidiary, as applicable, shall have set aside on its books adequate reserves in accordance with GAAP with respect thereto.

SECTION 5.03 Financial Statements and Reports. Applicant shall furnish to the Issuing Bank:

(a) within one hundred twenty (120) days after the end of each Fiscal Year (or, if earlier, contemporaneously with the actual delivery thereof to the holders of the Applicant's existing bonds), commencing with the Fiscal Year ended December 31, 2017, a consolidated balance sheet and related statements of operations, cash flows and owners' equity showing the financial position of the Applicant and the Subsidiaries as of the close of such Fiscal Year and the consolidated results of their operations during such year, and, after September 30, 2017, setting forth in comparative form the corresponding figures for the prior fiscal year, all audited by independent public accountants of recognized national standing and accompanied by an opinion of such accountants to the effect that such consolidated financial statements (i) have been prepared in accordance with GAAP and (ii) present fairly and accurately the consolidated financial condition and results of operations and cash flows of the Applicant and its Subsidiaries as of the dates and for the periods to which they relate (it being understood that the delivery by the Applicant of Annual Reports on Form 10-K of the Applicant and its consolidated Subsidiaries shall satisfy the requirements of this Section 5.03(a) to the extent such Annual Reports of Form 10-K include the information specified herein);

(b) commencing with the Fiscal Quarter ended June 30, 2017, within sixty (60) days after the end of each of the first three Fiscal Quarters of each Fiscal Year (or, if earlier, contemporaneously with the actual delivery to the holders of the Applicant's existing bonds), the consolidated results of their operations during such fiscal year and the then-elapsed portion of the fiscal year and, after September 30, 2017, setting forth in comparative form the corresponding figures for the corresponding periods of the prior fiscal year, in each case, all certified by a Financial Officer of the Applicant, on behalf of the Applicant, as having been prepared in accordance with GAAP

and presenting fairly and accurately the consolidated financial condition and results of operations and cash flows of the Applicant and its Subsidiaries as of the dates and for the periods to which they relate, subject, in the case of clauses (A) and (B), to the absence of footnotes and to normal year-end audit adjustments and impairment testing (it being understood that the delivery by the Applicant of Quarterly Reports on Form 10-Q of the Applicant and its consolidated Subsidiaries shall satisfy the requirements of this Section 5.03(b) to the extent such Quarterly Reports on Form 10-Q include the information specified herein);

(c) if and to the extent prepared by or on behalf of the Applicant or any Debtor Subsidiary, and contemporaneously with the furnishing of same to the Creditor's Committee or any member of any ad hoc committee of holders of indebtedness of the Applicant or any of its Subsidiaries or any counsel or financial advisor to any of the foregoing, copies of any monthly financial statements, DIP Budgets or 13-Week Projections of the Applicant or any of its Subsidiaries (x) that is a Debtor or (y) for whose benefit a Letter of Credit has been issued and remains in effect, in each case, that are not otherwise required to be furnished to the Issuing Bank pursuant to any other clause of this Section 5.03 (it being understood that the filing by the Applicant of such documents on EDGAR, the Bankruptcy Court's docket or any publicly accessible database shall satisfy the requirements of this Section 5.03(c));

(d) if, as a result of any change in accounting principles and policies from those as in effect on the Effective Date, the consolidated financial statements of the Applicant and the Subsidiaries delivered pursuant to paragraphs (a) or (b) above will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such clauses had no such change in accounting principles and policies been made, then, thirty (30) days after the first delivery of financial statements pursuant to paragraphs (a) or (b) above following such change, a schedule prepared by a Financial Officer on behalf of the Applicant reconciling such changes to what the financial statements would have been without such changes;

(e) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Applicant or any of its Subsidiaries, or compliance with the terms of any Facility Document, or such consolidating financial statements, as in each case the Issuing Bank may reasonably request in writing;

(f) (i) as soon as reasonably practicable in advance of filing with the Bankruptcy Court, the Final Order and any other proposed orders, documents, and pleadings related to the L/C Facility and the Facility Documents and (ii) as soon as reasonably practicable, all other notices, filings, motions, pleadings or other information concerning the financial condition of the Applicant or any of its Subsidiaries or other indebtedness of the Applicant or any request for relief under Section 363, 365, 1113 or 1114 of the Bankruptcy Code or Section 9019 of the Federal Rules of Bankruptcy Procedure; and

(g) the Applicant shall deliver to the Issuing Bank such other information, with respect to the Applicant's or any Subsidiary's business, financial condition, results of operations, properties or business as the Issuing Bank may, from time to time, reasonably request in writing.

Documents required to be delivered pursuant to Section 5.03(a) or Section 5.03(b) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Applicant posts such documents, or provides a link thereto on the Applicant's publicly maintained website specified to the Issuing Bank as such; *provided* that the Applicant shall notify the Issuing Bank (by telecopier or electronic mail) of the posting of any such documents and provide to the Issuing Bank by electronic mail electronic versions (i.e., soft copies) of such documents.

SECTION 5.04 Compliance with Laws. Comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property (owned or leased), except, in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect; *provided* that this Section 5.04 shall not apply to laws related to Taxes, which are the subject of Section 5.02.

SECTION 5.05 Notices. Furnish to the Issuing Bank written notice of any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto promptly after any Responsible Officer of the Applicant obtains actual knowledge thereof.

SECTION 5.06 Fiscal Year; Accounting. In the case of the Applicant, cause its fiscal year to end on December 31.

SECTION 5.07 Further Assurances. At the expense of the Applicant promptly upon reasonable prior written request by the Issuing Bank or as may be required by applicable law (%3) correct any material defect or error that may be discovered in the execution, acknowledgment, filing or recordation of any Facility Document, or that may arise at any time prior to the Termination Date as a result of any corporate change, change of name or otherwise, and (%3) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Issuing Bank may reasonably request in writing from time to time in order to carry out more effectively the purposes of the Facility Documents.

ARTICLE VI

NEGATIVE COVENANTS

Until the Termination Date has occurred and all Fees and all other expenses or amounts payable under any Facility Document shall have been paid in full and discharged (other than indemnification and other contingent obligations, in each case, not then due and payable), unless the Issuing Bank shall otherwise consent in writing, the Applicant shall not, and, solely with respect to Sections 6.02, 6.05 and 6.06, shall not permit any of its Subsidiaries to:

SECTION 6.01 Restrictions on Fundamental Changes. Other than in connection with the Bankruptcy Cases, merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired), except that this Section 6.01 shall not prohibit, if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing, (i) the merger of any Subsidiary into the Applicant in a transaction in which the Applicant is the surviving corporation or any merger of any Subsidiary into any other Subsidiary or (ii) a change in form of entity of the Applicant; provided that in the case of any transaction described in the foregoing clauses (i) or (ii), any security interest granted pursuant to the Final Order and the L/C Cash Collateral Agreement shall remain in full force and effect.

SECTION 6.02 Business of the Applicant and the Subsidiaries. Notwithstanding any other provisions hereof, engage at any time in any material business or business activity other than a Permitted Business.

SECTION 6.03 Change Name. Change the Applicant's name, organizational identification number, company number, jurisdiction of incorporation; *provided*, *however*, that the Applicant may change its name so long as it provides prompt written notice of such change to the Issuing Bank.

SECTION 6.04 Limitation on Modifications of Organizational Documents. Amend or modify in any manner materially adverse to the Issuing Bank, or grant any waiver or release under or terminate in any manner (if such granting, release or termination shall be materially adverse to the Issuing Bank), the articles or certificate of incorporation or by-laws of the Applicant.

SECTION 6.05 Embargoed Person. Cause or permit (a) any of the funds or properties of the Applicant that are used to collateralize the Facility Letters of Credit or to reimburse the Issuing Bank for any L/C Disbursement made pursuant to this Agreement to constitute property of, or be beneficially owned directly or indirectly by, one or more persons subject to sanctions or trade restrictions under United States law ("Embargoed Person" or "Embargoed Persons") that is identified on (1) the "List of Specially Designated

Nationals and Blocked Persons" maintained by OFAC and/or on any other similar list maintained by the United States Government pursuant to any authorizing statute including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Order or regulation promulgated thereunder, with the result that the Letters of Credit would be in violation of law, or (2) the Executive Order, any related enabling legislation or any other similar Executive Orders, or (b) any Embargoed Person to have any direct or indirect interest, of any nature whatsoever in the Applicant, with the result that the Letters of Credit are in violation of law.

SECTION 6.06 Anti-Terrorism Law; Anti-Money Laundering. Directly or indirectly, (i) knowingly conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in Section 3.09, (ii) knowingly deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or any other Anti-Terrorism Law or (iii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, in each case in any manner that would result in a violation of law by any Person.

ARTICLE VII

EVENTS OF DEFAULT

SECTION 7.01 Events of Default. In case of the occurrence or existence of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made by the Applicant on or after the Effective Date in any Facility Document, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished on or after the Effective Date in connection with or pursuant to any Facility Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished by the Applicant;

(b) default shall be made in the reimbursement with respect to any L/C Disbursement (unless such L/C Disbursement has been paid in accordance with Sections 2.02(d) and (e)) and the Issuing Bank shall have provided one (1) Business Day prior notice that the same has become due and payable (and that such L/C Disbursement will not be paid in accordance with the proviso in Sections 2.02(d));

(c) default shall be made in the payment of any Fee or any other amount (other than an amount referred to in (b) above) due under any Facility Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five (5) Business Days;

(d) default shall be made in the due observance or performance by the Applicant or any of the Subsidiaries of any covenant, condition or agreement applicable to it contained in Section 5.01 (with respect to the Applicant), Section 5.07(a) or in Article VI;

(e) default shall be made in the due observance or performance by the Applicant or any of the Subsidiaries of any covenant, condition or agreement applicable to it contained in any Facility Document (other than those specified in paragraphs (b), (c) and (d) above) and such default shall continue unremedied for a period of thirty (30) days (or, (i) in the case of Section 5.03(a), (d) and (f), ten (10) Business Days or (ii) in the case of Sections 5.03(h) or (j), three (3) days) after the earlier of (x) an officer of the Applicant first becoming aware of such default and (y) receipt by the Applicant of notice of such default from the Issuing Bank;

(f) [reserved];

(g) (i) the Bankruptcy Case shall be dismissed or converted to a case under Chapter 7 of the Bankruptcy Code or the Applicant shall file a motion or other pleading seeking the dismissal of any of the Bankruptcy

Case under Section 1112 of the Bankruptcy Code or otherwise without the written consent of the Issuing Bank in its sole discretion or (ii) a trustee under Chapter 11 of the Bankruptcy Code or an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1104(b) of the Bankruptcy Code shall be appointed in the Bankruptcy Case and the order appointing such trustee or examiner shall not be reversed or vacated within thirty (30) days after the entry thereof (or the Applicant or its Affiliates shall have acquiesced to the entry of such order) unless consented to in writing by the Issuing Bank in its sole discretion;

(h) an application shall be filed by the Applicant for the approval of any Superpriority Claim on the LC Collateral, or an order of the Bankruptcy Court shall be entered granting any Superpriority Claim on the LC Collateral, in the Bankruptcy Case that is pari passu with or senior to the claims of the Issuing Bank against the Applicant hereunder or under any of the other Facility Documents on the LC Collateral, or there shall arise or otherwise be granted any such pari passu or senior Superpriority Claim on the LC Collateral that is pari passu with or senior to the claims of the Issuing Bank on the LC Collateral;

(i) the Bankruptcy Court shall enter an order or orders granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code to the holder or holders of any security interest to permit any actions that would have a Material Adverse Effect on the Applicant or its estate;

(j) (i) the Final Order Entry Date shall not have occurred by the date that is forty-five (45) days following the Petition Date (or such later date as is agreed to in writing by the Issuing Bank); (ii) an order of the Bankruptcy Court shall be entered reversing, amending, supplementing, staying, vacating or otherwise amending, supplementing or modifying the Final Order or the Applicant or any Subsidiary of the Applicant shall apply for the authority to do so, in each case in a manner that is adverse to the Issuing Bank, without the prior written consent of the Issuing Bank in its sole discretion; (iii) an order of the Bankruptcy Court shall be entered denying or terminating use of Cash Collateral (as defined in the Final Order) by the Applicant (and such order remains unstayed for more than three (3) Business Days); (iv) the Final Order shall cease to create a valid and perfected first priority Lien on the L/C Collateral described herein or therein or shall cease to be in full force and effect; (v) the Applicant or any Debtor Subsidiary of the Applicant shall fail to comply with the Final Order in any material respect; (vi) a final non-appealable order in the Bankruptcy Case shall be entered (without the consent of the Issuing Bank in its sole discretion) charging any of the L/C Collateral under Section 506(c) of the Bankruptcy Code or otherwise against the Issuing Bank; (vii) the Applicant files a motion seeking or the Bankruptcy Court enters, any order that affects the Obligations or the claims and security interests created hereunder, under the Final Order or under the Facility Documents in a manner adverse to the Issuing Bank; or (ix) the Applicant or any of its Subsidiaries shall take any action in support of the items referred to in the foregoing clauses (vi)-(vii);

(k) the Applicant or any of its Subsidiaries, or any Person on behalf of the Applicant or any of its Subsidiaries, shall obtain court authorization to commence, or shall commence, join in, assist or otherwise participate as an adverse party in any suit or other proceeding against the Issuing Bank relating to the L/C Facility, unless such suit or other proceeding is in connection with the enforcement of the Facility Documents against the Issuing Bank;

(l) a Reorganization Plan that does not provide for (i) (a) the payment in full in cash of the Obligations (other than indemnification and other contingent obligations, in each case, not then due and payable) under the Facility Documents on the effective date of such Reorganization Plan and the cancellation of all outstanding Letters of Credit, (b) the cash collateralization of the Obligations (other than indemnification and other contingent obligations, in each case, not then due and payable) at 103% or (c) such other treatment as agreed to in writing by the Issuing Bank in its sole discretion and (ii) customary releases of the Issuing Bank and its Affiliates, directors, attorneys, trustees, officers, employees, and investment advisors (in each case, in their respective capacities as such), from any and all claims against the Issuing Bank in connection with this Agreement or the Bankruptcy Case to the fullest extent permitted by the Bankruptcy Code and applicable law, shall be confirmed in the Bankruptcy Case, or any order shall be entered which dismisses the Bankruptcy Case and which order does not provide for payment in full in cash of the Obligations under the Facility Documents (other than indemnification and other contingent obligations, in each case, not then due and payable), or the Applicant or any of its Subsidiaries shall file, propose, support or fail to contest in

good faith the filing or confirmation of any such plan or entry of any such order or any disclosure statement related thereto;

(m) the Applicant or any of its Subsidiaries shall take any action in support of any matter set forth in paragraphs (i), (j), (k), (l), (n) or (o) of this Section and the relief requested is granted in an order, in each case unless the Issuing Bank consents to such action in its sole discretion;

(n) any Facility Document shall for any reason be asserted in writing by the Applicant or any Subsidiary not to be a legal, valid and binding obligation of any party thereto other than in accordance with the express terms and conditions hereof;

(o) one or more ERISA Events shall have occurred that, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in a Material Adverse Effect; or the Applicant, any Subsidiary or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its Withdrawal Liability under Section 4201 of ERISA under a Multiemployer Plan;

(p) there shall occur a cessation of a substantial part of the business of the Applicant for a period that materially adversely affects the Applicant's ability to perform its duties hereunder or comply with the provisions hereof; or

(q) the Applicant shall grant any Lien on the L/C Collateral (other than Liens granted under the LC Cash Collateral Agreement) without the written consent of the Issuing Bank in its sole discretion;

then, and in every such event (other than an event with respect to the Applicant described in paragraph (h) or (i) above), and at any time thereafter during the continuance of such event, the Issuing Bank shall, by written notice to the Applicant, take any or all of the following actions, at the same or different times: (i) declare the commitments and obligations of the Issuing Bank to issue, amend, renew or extend any Facility Letter of Credit to be terminated, whereupon such commitments and obligations shall be terminated and/or (ii) declare the Obligations then outstanding to be forthwith due and payable in whole or in part, whereupon the same shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Applicant, anything contained herein or in any other Facility Document to the contrary notwithstanding; and in any event with respect to the Applicant described in paragraph (h) or (i) above, the Obligations shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Applicant, anything contained herein or in any other Facility Document to the contrary notwithstanding.

The applicable L/C Collateral shall be applied to satisfy drawings under the applicable Letters of Credit as they occur and other Obligations as they become due and payable. If any portion of the L/C Collateral remains after all Letters of Credit have been canceled or returned and all Obligations have been paid in full, such remaining amount shall be transferred to the Applicant.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Notices.

(a) Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to Applicant,

GenOn Energy, Inc.,

804 Carnegie Center
Princeton, NJ 08540-6213Attention: Mark A. “Mac” McFarland
Email: mac@genon.com

with a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
United States
Attention:Andres C. Mena
Email: amena@kirkland.com

(ii) if to the Issuing Bank,

Citibank, N.A.
Citi Asset Based & Transitional Finance Group
388 Greenwich St., 8th Floor
New York, New York 10013
Attention:Shane Azzara
Email: shane.azzara@citi.com

with a copy to:

Latham & Watkins LLP
858 Third Avenue
New York, New York 10022
Attention: Dan Seale
Email:Daniel.Seale@lw.com

(b) Each of the Issuing Bank and the Applicant may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided*, *further*, that approval of such procedures may be limited to particular notices or communications.

(c) All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service, sent by telecopy or (to the extent permitted by paragraph (b) above) electronic means (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient) or on the date five (5) Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 8.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 8.01.

(d) Any party hereto may change its address, email or telecopy number for notices and other communications hereunder by notice to the other parties hereto.

SECTION 8.02 Survival of Agreement. All covenants, agreements, representations and warranties made by the Applicant herein, in the other Facility Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Facility Document shall be considered to have been relied upon by the Issuing Bank and shall survive the execution and delivery of the Facility Documents and the issuance of Letters of Credit, regardless of any investigation made by such persons or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any L/C Disbursement or any Fee or any other amount payable under this Agreement or any other Facility Document is outstanding and unpaid or any Letter of Credit is outstanding

(unless other arrangements satisfactory to the Issuing Bank in its sole discretion have been made). Without prejudice to the survival of any other agreements contained herein, indemnification and reimbursement obligations contained herein (including pursuant to Sections 2.04, 2.05 and 8.06) shall survive the payment in full of the principal and interest hereunder, the expiration of the Letters of Credit and the termination of this Agreement.

SECTION 8.03 Binding Effect, Effectiveness. This Agreement shall become binding (subject, however, to the satisfaction of the other conditions set forth in Section 4.01) when this Agreement shall have been executed by the Applicant and the Issuing Bank and when the Issuing Bank shall have received copies thereof bearing the signature of the Applicant, and thereafter shall be binding upon and inure to the benefit of the Applicant, the Issuing Bank and their respective permitted successors and assigns.

SECTION 8.04 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Applicant may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Issuing Bank in its sole discretion (and any attempted assignment or transfer by the Applicant without such consent shall be null and void) and (ii) the Issuing Bank may not assign or otherwise transfer its rights or obligations hereunder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the parties hereto, their respective successors and assigns permitted hereby, including any Affiliate of the Issuing Bank that issues any Letter of Credit, and, to the extent expressly contemplated hereby, the Related Parties of the Issuing Bank and to the extent expressly contemplated hereby, the other Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement; *provided* that NRG is and shall be an express beneficiary of the last proviso in Section 2.02(a).

SECTION 8.05 Liability of the Arranger. Notwithstanding anything herein to the contrary, the Arranger shall not have any powers, duties or responsibilities under this Agreement or any of the other Facility Documents.

SECTION 8.06 Expenses; Indemnity.

(a) The Applicant agrees to pay all reasonable and documented out-of-pocket expenses (including Other Taxes) incurred by the Arranger or the Issuing Bank in connection with the preparation of this Agreement and the other Facility Documents, or by the Issuing Bank in connection with the administration of this Agreement (including the reasonable and documented fees, disbursements and the charges for no more than one outside counsel for the Issuing Bank) or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the Transactions hereby contemplated shall be consummated) or incurred by the Issuing Bank in connection with the enforcement or protection of their rights in connection with this Agreement and the other Facility Documents, in connection with the Letters of Credit issued hereunder, including the reasonable fees, charges and disbursements of Latham & Watkins LLP as counsel to the Issuing Bank.

(b) The Applicant agrees (without duplication of any indemnity provided in any other Facility Document) to indemnify the Arranger, the Issuing Bank and each of its Affiliates, directors, trustees, officers, employees, investment advisors and Issuing Banks (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, litigation, investigations or proceedings and related expenses, including reasonable and documented counsel fees, charges and disbursements, incurred by or asserted or brought against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Facility Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto and thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated hereby, (ii) the use or proposed use of any Letter of Credit or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto and whether or not brought by the Applicant or any of its Subsidiaries or any other Person; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities, litigation, investigations or proceedings or related expenses result

primarily from the bad faith, gross negligence or willful misconduct of such Indemnitee or any of its Related Parties as determined by a court of competent jurisdiction in a final and non-appealable judgment (any such Indemnitee and its Related Parties treated, for this purpose only, as a single Indemnitee). Subject to and without limiting the generality of the foregoing sentence, the Applicant agrees to indemnify each Indemnitee against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, litigation, investigations or proceedings and related expenses, including reasonable and documented counsel or consultant fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (A) any Environmental Claim related in any way to the Applicant or any of its Subsidiaries, or (B) any actual or alleged presence, Release or threatened Release of Hazardous Materials at, under, on or from any property or facility currently or formerly owned, leased or operated by the Applicant or any of its Subsidiaries, or to the extent any claim survives the Bankruptcy Cases, by any predecessor of the Applicant or any of its Subsidiaries that was a debtor in possession; *provided* that any such indemnity set forth in this Section 8.06(b), shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities, litigation, investigations or proceedings or related expenses result from (x) the bad faith, gross negligence or willful misconduct of such Indemnitee or any of its Related Parties as determined by a court of competent jurisdiction in a final and non-appealable judgment, (y) a breach by such Indemnitee of its obligations under the Facility Documents or (z) disputes arising solely among Indemnitees and that do not involve any act or omission by the Applicant or its Subsidiaries. The provisions of this Section 8.06 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the Transactions, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Facility Document, or any investigation made by or on behalf of the Issuing Bank. All amounts due under this Section 8.06 shall be payable on written demand therefor accompanied by reasonable documentation with respect to any reimbursement, indemnification or other amount requested.

(c) Except as expressly provided in Section 8.06(a) with respect to Other Taxes, which shall not be duplicative with any amounts paid pursuant to Section 2.05, this Section 8.06 shall not apply to Taxes, except any Taxes that represent losses, claims, damages or liabilities arising from any non-Tax claim.

(d) To the extent permitted by applicable law, the Applicant shall not assert, and hereby waive, any claim against any Indemnitee by the Applicant or its Affiliates, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, or any Letter of Credit.

(e) No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Facility Documents or the transactions contemplated hereby or thereby.

SECTION 8.07 Right of Set-off. If an Event of Default shall have occurred and be continuing, the Issuing Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Issuing Bank to or for the credit or the account of the Applicant or any Subsidiary against any of and all the obligations of the Applicant now or hereafter existing under this Agreement or any other Facility Document held by the Issuing Bank irrespective of whether or not the Issuing Bank shall have made any demand under this Agreement or such other Facility Document and although the obligations may be unmatured. The rights of the Issuing Bank under this Section 8.07 are in addition to other rights and remedies (including other rights of set-off) that the Issuing Bank may have.

SECTION 8.08 Applicable Law. THIS AGREEMENT AND THE OTHER FACILITY DOCUMENTS (OTHER THAN LETTERS OF CREDIT AND AS EXPRESSLY SET FORTH IN OTHER FACILITY DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 8.09 Waivers; Amendment.

(a) No failure or delay of the Issuing Bank in exercising any right or power hereunder or under any Facility Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Issuing Bank hereunder and under the other Facility Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Facility Document or consent to any departure by the Applicant therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Applicant in any case shall entitle such person to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any other Facility Document nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Applicant and Citibank, in its capacity as Issuing Bank, Secured Party (as defined in the L/C Cash Collateral Agreement), Bank (as defined in the L/C Cash Collateral Agreement) or other relevant capacity, as the case may be, under this Agreement or such other Facility Document.

SECTION 8.10 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges that are treated as interest under applicable law (collectively, the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by the Issuing Bank shall exceed the maximum lawful rate (the "Maximum Rate") that may be contracted for, charged, taken, received or reserved by the Issuing Bank in accordance with applicable law, the rate of interest payable hereunder, together with all Charges payable to the Issuing Bank shall be limited to the Maximum Rate, *provided* that such excess amount shall be paid to the Issuing Bank on subsequent payment dates to the extent not exceeding the legal limitation.

SECTION 8.11 Entire Agreement. This Agreement, the other Facility Documents and the agreements regarding certain Fees referred to herein constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among or representations from the parties or their Affiliates with respect to the subject matter hereof is superseded by this Agreement and the other Facility Documents. Notwithstanding the foregoing, the Fee Letter shall survive the execution and delivery of this Agreement and remain in full force and effect. Nothing in this Agreement or in the other Facility Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Facility Documents.

SECTION 8.12 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER FACILITY DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER FACILITY DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.12.

SECTION 8.13 Severability. In the event that any one or more of the provisions contained in this Agreement or in any other Facility Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract, and shall become effective as provided in Section 8.03. Delivery of an executed counterpart to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed original.

SECTION 8.15 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 8.16 Jurisdiction; Consent to Service of Process.

SUBJECT TO CLAUSE (E) OF THE FOLLOWING SENTENCE, ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PARTY ARISING OUT OF OR RELATING TO ANY FACILITY DOCUMENT OR ANY INSTRUCTION **SHALL BE BROUGHT IN THE BANKRUPTCY COURT AND, IF THE BANKRUPTCY COURT DOES NOT HAVE (OR ABSTAINS FROM) JURISDICTION, IN ANY FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN THE BOROUGH OF MANHATTAN OR, IF THAT COURT DOES NOT HAVE SUBJECT MATTER JURISDICTION, IN ANY STATE COURT LOCATED IN THE CITY AND COUNTY OF NEW YORK.** BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (B) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (C) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ANY PARTY, IF ANY, AT ITS ADDRESS PROVIDED IN THE APPLICABLE FACILITY DOCUMENT; (D) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (C) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER EACH PARTY, AS APPLICABLE, IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; AND (E) AGREES THAT THE ISSUING BANK RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST THE APPLICANT IN THE COURTS OF ANY OTHER JURISDICTION IN CONNECTION WITH THE EXERCISE OF ANY RIGHTS UNDER ANY FACILITY DOCUMENT OR THE ENFORCEMENT OF ANY JUDGMENT.

SECTION 8.17 Confidentiality. The Issuing Bank agrees that it shall maintain in confidence any information relating to the Applicant and its Subsidiaries furnished to it by or on behalf of the Applicant or its Subsidiaries (other than information that (a) has become generally available to the public other than as a result of a disclosure by such party, (b) has been independently developed by the Issuing Bank without violating this Section 8.17 or (c) was available to the Issuing Bank from a third party having, to such person's knowledge, no obligations of confidentiality to the Applicant or its Subsidiaries) and shall not reveal the same other than to its directors, trustees, officers, employees and advisors with a need to know (so long as each such person shall have been instructed to keep the same confidential in accordance with this Section 8.17), except (A) to the extent necessary to comply with law or any legal or regulatory process (including any self-regulatory authority) or the requirements of any Governmental Authority, the National Association of Insurance Commissioners or of any securities exchange on which securities of the disclosing party or any Affiliate of the disclosing party are listed or traded, (B) as part of normal reporting or review procedures to Governmental Authorities or the National Association of Insurance Commissioners, (C) to its parent companies, Affiliates, auditors and its, and its Affiliates', respective partners, directors, officers, employees, Issuing Bank, advisors and other representatives (so long as each such person shall have been instructed to keep the same confidential in accordance with this Section 8.17), (D) in order to enforce its rights under any Facility Document in a legal proceeding, (E) to any prospective assignee of any of its rights under this Agreement (so long as such person shall have been instructed to keep the same confidential in accordance with this Section 8.17 or as shall be required to keep the same confidential pursuant to any letter or agreement with confidentiality provisions at least as restrictive as this Section 8.17), (F) to any direct or indirect contractual counterparty in respect of any Hedging Obligation or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 8.17 or as shall be required to keep the

same confidential pursuant to any letter or agreement with confidentiality provisions at least as restrictive as this Section 8.17) and (G) with the consent of the Applicant.

SECTION 8.18 Communications.

(a) Delivery. The Applicant hereby agrees that it will use all reasonable efforts to provide to the Issuing Bank all information, documents and other materials that it is obligated to furnish to the Issuing Bank pursuant to this Agreement and any other Facility Document, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing, extension of credit, (ii) relates to the payment of any amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under this Agreement or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any borrowing or other extension of credit hereunder (all such non-excluded communications collectively, the "Communications"), by transmitting the Communications in an electronic/soft medium in a format reasonably acceptable to the Issuing Bank in its sole discretion or in such other form, including hard copy delivery thereof, as the Issuing Bank shall reasonably request. Nothing in this Section 8.18 shall prejudice the right of the Applicant or the Issuing Bank to give any notice or other communication pursuant to this Agreement or any other Facility Document in any other manner specified in this Agreement or any other Facility Document.

(b) Receipt. The Issuing Bank agrees that receipt of the Communications by the Issuing Bank at its e-mail address set forth above in Section 8.01 shall constitute effective delivery of the Communications to the Issuing Bank for purposes of the Facility Documents.

SECTION 8.19 USA PATRIOT Act . The Issuing Bank hereby notifies the Applicant that pursuant to the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (U.S.A. Patriot Act) of 2001 (the "USA PATRIOT Act "), it is required to obtain, verify and record information that identifies the Applicant, which information includes the name and address of the Applicant and other information that will allow the Issuing Bank to identify the Applicant in accordance with the USA PATRIOT Act.

SECTION 8.20 No Fiduciary Duty. The Issuing Bank and its Affiliates (collectively, solely for purposes of this paragraph, the "Issuing Bank"), may have economic interests that conflict with those of the Applicant, its stockholders or its affiliates. The Applicant agrees that nothing in the Facility Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between any the Issuing Bank, on the one hand, and the Applicant, its stockholders or its affiliates, on the other. The Applicant acknowledges and agrees that (i) the transactions contemplated by the Facility Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Issuing Bank, on the one hand, and the Applicant, on the other and (ii) in connection therewith and with the process leading thereto, (x) the Issuing Bank has not assumed an advisory or fiduciary responsibility in favor of the Applicant, its stockholders or its affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto (irrespective of whether the Issuing Bank has advised, is currently advising or will advise the Applicant, its stockholders or its Affiliates on other matters) or any other obligation to the Applicant except the obligations expressly set forth in the Facility Documents and (y) the Issuing Bank is acting solely as principal and not as the Issuing Bank or fiduciary of the Applicant, its management, stockholders, creditors or any other Person. The Applicant acknowledges and agrees that it has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. The Applicant agrees that it will not claim that the Issuing Bank has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Applicant, in connection with such transaction or the process leading thereto.

SECTION 8.21 Restatement. This Agreement shall, except as otherwise expressly set forth herein, supersede the Existing LC Facility Agreement from and after the Effective Date. The parties hereto acknowledge and agree, however, (a) that this Agreement and all other Facility Documents executed

and delivered herewith do not constitute a novation or termination of the Obligations (under and as defined in the Existing LC Facility Agreement) and the other Facility Documents (as defined in the Existing LC Facility Agreement), in each case, as in effect prior to the Effective Date except as expressly provided herein and (b) the Obligations (under and as defined in the Existing LC Facility Agreement) are in all respects continuing with the terms being modified as provided in this Agreement and the other Facility Documents. The parties hereto further acknowledge and agree that all references in the other Facility Documents to the Existing LC Facility Agreement shall be deemed to refer without further amendment to this Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Applicant and Issuing Bank have caused their names to be duly signed to this Agreement by their respective officers thereunto duly authorized, all as of the date first above written.

GenOn Energy, Inc., as Applicant

By:/s/ Mark A. McFarland
Name: Mark A. McFarland
Title: Chief Executive Officer

[Signature Page to Letter of Credit Agreement]

CITIBANK, N.A., as Issuing Bank

By:/s/ Allister Chan
Name: Allister Chan
Title: Vice President

Exhibit A - Form of Final Order

(please see the following page)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	)	Chapter 11
GENON ENERGY, INC., *et al.*,	)	Case No. 17-33695 (DRJ)
Debtors.	)	(Jointly Administered)
	)	**Re: Docket No. 6**

FINAL ORDER (I) AUTHORIZING THE DEBTORS' CONTINUED PERFORMANCE UNDER INTERCOMPANY ARRANGEMENTS, (II) AUTHORIZING THE DEBTORS TO CONTINUE ORDINARY COURSE OPERATIONS AND RELATED FINANCING, AND (III) GRANTING RELATED RELIEF

Upon the motion (the "Motion") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of a final order (this "Final Order"), (a) authorizing, but not directing, the Debtors to continue performance of obligations under the Intercompany Arrangements in the ordinary course of business, (b) authorizing the Debtors to continue ordinary course operations, (c) authorizing the Debtors to enter into letter of credit reimbursement facilities, and (d) granting such other relief as is just and proper, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at

the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor,

The Court HEREBY FINDS AND CONCLUDES

a. The Debtors require the ability to post letters of credit to carry on the operation of their businesses in the ordinary course, which is essential to the Debtors' ability to reorganize and maximize the value of the Debtors' assets for the benefit of their stakeholders. In addition, based on the record presented at the Interim and Final Hearings: (i) the Debtors' critical need for a vehicle that it can utilize to procure letters of credit is immediate and the entry of this Final Order is necessary to avoid immediate and irreparable harm to the Debtors' estates; and (ii) in the absence of a letter of credit facility, the continued operation of the Debtors' businesses would be significantly impaired and serious and irreparable harm to the Debtors and their estates would occur.

b. The Debtors have been unable to secure or obtain an executed alternative letter of credit facility that is sufficient for the needs of the Debtors' businesses in advance of the Petition Date. Nor could they obtain unsecured letters of credit allowable as an administrative expense under section 503(b)(1) of the Bankruptcy Code that would serve the needs of the Debtors to continue providing letters of credit in the ordinary course.

c. Based upon the pleadings and proceedings of record, (i) the terms and conditions of the Citi LC Facility (as defined below), including, specifically, the terms and conditions in the Citi Reimbursement Documents (as defined below), are reasonable based on the timing exigencies and other circumstances of the case and reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duty and are supported by reasonably equivalent value and fair consideration, (ii) the Citi LC Facility, including, specifically, the facility governed by the Citi Reimbursement Documents, has been negotiated in good faith and at arm's length and (iii) any credit or letters of credit issued or extended to the Debtors, including, specifically, credit extended or letters of credit issued under the Citi Reimbursement Documents, shall have been extended, issued, or made, as the case may be, in "good faith" within the meaning of section 364(e) of the Bankruptcy Code and in express reliance upon the protections offered by section 364(e) of the Bankruptcy Code, and the Citi LC Facility, including, specifically, the facility governed by the Citi Reimbursement Documents, and the Citi LC Liens (as defined below) shall be entitled to the full protection of section 364(e) of the Bankruptcy Code in the event that this Final Order or any provision hereof is vacated, reversed or modified, on appeal or otherwise.

IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth in this Final Order.

2. The Debtors are authorized, but not directed, to continue performance under any and all of the Intercompany Arrangements in the ordinary course of business and on the terms set forth in the Motion and this Final Order and, to the extent applicable, in accordance with the Restructuring Support Agreement. The Debtors are further authorized to use estate property and to expend estate funds as they deem necessary and appropriate in the ordinary course of business to perform under the Intercompany Arrangements on the terms set forth in the Motion and this Final Order.

3. The Debtors are authorized, but not directed, to continue existing Intercompany Transactions and to enter into and engage in any further Intercompany Transactions and to take any actions and to pay prepetition obligations and postpetition obligations related thereto in accordance with their cash management system. All postpetition payments from or on behalf of a Debtor to or on behalf of another Debtor under any postpetition Intercompany Transaction are hereby accorded administrative expense status. In connection therewith, the Debtors shall continue to maintain current records with respect to all transfers of cash so that all transactions, including the Intercompany Transactions, may be readily ascertained, traced, and recorded properly on applicable intercompany accounts.

4. Pursuant to sections 105, 363, and 364 of the Bankruptcy Code, the Debtors are authorized, but not directed, to continue their operations in the ordinary course of business and in accordance with prepetition practices, including, but not limited to, the maintenance of cash collateral, the posting of other collateral, or the issuance of letters of credit pursuant to a fully cash-collateralized letter of credit facility governed by the terms of the Citi Reimbursement Documents (as defined below) (such letter of credit facility, as the same may be refinanced, supplemented or replaced from time to time, the "Citi LC Facility").

5. The Debtor GenOn Energy, Inc. (the "Applicant") is authorized to (A) enter into, and execute, deliver and perform under (i) that certain *Letter of Credit Agreement* (substantially in the form attached hereto as **Exhibit 1**, and as may be hereafter refinanced, replaced, amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "Citi Reimbursement Agreement") by and among GenOn Energy, Inc., as Applicant, Citibank, N.A., as the Issuing Bank, and Citigroup Global Markets Inc., as Sole Lead Arranger and Sole Bookrunner, (ii) that certain *Pledge, Assignment and Control Agreement* (substantially

in the form attached hereto as **Exhibit 2**, and as may be hereafter refinanced, replaced, amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "L/C Control Agreement") by and among GenOn Energy, Inc., as Applicant, and Citibank, N.A., as the Secured Party thereunder, (iii) that certain *Structuring Fee Letter*, dated as of June 19, 2017, by and between Citibank, N.A. and the Applicant (as may be hereafter amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Citi Fee Letter"), and (iv) any related agreements, documents, certificates and instruments delivered or executed from time to time in connection therewith, including all Facility Documents (as defined in the Citi Reimbursement Agreement) (in each case, as amended, restated, amended and restated, supplemented, or otherwise modified from time to time in accordance with the terms thereof and hereof, and together with the Citi Reimbursement Agreement, the Citi L/C Control Agreement, Citi Fee Letter, collectively, the "Citi Reimbursement Documents") and (B) incur and perform the Obligations (as defined in the Citi Reimbursement Agreement) (the "Reimbursement Obligations" and Citibank, N.A. as the Issuing Bank, the Secured Party and in any other capacity under any of the Citi Reimbursement Documents, and Citigroup Global Markets Inc., as Sole Lead Arranger and Sole Bookrunner and any affiliate of Citibank, N.A. that is a party to any of the Citi Reimbursement Documents, collectively, "Citibank"). The Debtors are hereby authorized to pay, and without limiting the Debtors' payment obligations under this Final Order or the Citi Reimbursement Documents, Citibank, N.A. is hereby authorized to apply the L/C Collateral (as defined in the Citi Reimbursement Agreement) toward the payment of, all principal, interest, unreimbursed amounts, fees (which shall be payable in accordance with the Fee Letter (as defined in the Citi Reimbursement Agreement)), and expenses, indemnities and other amounts described herein and in the Citi Reimbursement Documents and all other Reimbursement Obligations, in each case as such shall accrue and become due hereunder or thereunder, including, without limitation, the reasonable fees and expenses of legal counsel to Citibank.

6. All of the terms of the Citi Reimbursement Documents (including, without limitation, the expense reimbursement and indemnity provisions thereof) are hereby approved, and upon execution and delivery of the Citi Reimbursement Documents, each of the Citi Reimbursement Documents shall constitute, and is hereby deemed to be, the legal, valid and binding obligation of the Applicant, enforceable against such Applicant, its estate and any successors thereto in accordance with its terms. Each officer of a Debtor acting singly is hereby authorized to execute and deliver each of the Citi Reimbursement Documents, as applicable, such execution and delivery to be conclusive evidence of

such officer's respective authority to act in the name of and on behalf of the applicable Debtor without any further corporate action by any Debtor. All obligations incurred, payments made, and transfers or grants of security set forth in this Final Order and the Citi Reimbursement Documents by the Debtors are granted to or for the benefit of Citibank, N.A. for fair consideration and reasonably equivalent value, and are granted contemporaneously with the making of the financial accommodations secured thereby. No obligation, payment, transfer or grant of security under the Citi Reimbursement Documents or this Final Order with respect to the Reimbursement Obligations shall be stayed, restrained, voided, voidable or recoverable under the Bankruptcy Code or under any applicable non-bankruptcy law, or subject to any defense, reduction, setoff, recoupment or counterclaim. The Reimbursement Obligations shall not be discharged by the entry of an order confirming any plan of reorganization, notwithstanding the provisions of section 1141(d) of the Bankruptcy Code, unless such plan provides for (a) indefeasible payment in full in cash of all Reimbursement Obligations and the cancellation of all outstanding Letters of Credit, (b) such other treatment as agreed to in writing by Citibank, N.A. in its sole discretion, or (c) any such treatment as expressly outlined in the Citi LC Facility.

7. As security for the Reimbursement Obligations, Citibank, N.A., on behalf of itself and each of its affiliates that is a party to any of the Citi Reimbursement Documents, is hereby granted (effective upon the date of this Final Order, without the necessity of the execution by the Applicant or the filing or recordation of security agreements, lockbox or control agreements, financing statements, or any other instrument or the possession or control by Citibank) first priority, valid, binding, continuing, enforceable, fully perfected, and unavoidable security interests in and liens, including liens pursuant to section 364(c)(2) of the Bankruptcy Code and priming liens pursuant to section 364(d)(1) of the Bankruptcy Code (such security interests and liens, collectively, the "Citi LC Liens"), upon, subject to the terms of the Citi Reimbursement Documents, cash and other financial assets on deposit in the Letter of Credit Account (as defined in the Citi Reimbursement Documents) (the Letter of Credit Account and together with all cash and other financial assets now or hereinafter on deposit in the Letter of Credit Accounts and all proceeds, products and accessions thereof, the "Citi LC Property"). This Final Order shall be sufficient and conclusive evidence of the validity, perfection and priority of the Citi LC Liens. Notwithstanding the foregoing, Citibank, N.A. may, in its sole discretion, file financing statements, security agreements, lockbox or control agreements, notices of liens and other similar documents and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such

financing statements, security agreements, lockbox or control agreements, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of this Final Order. Neither the Citi LC Liens nor the Citi LC Property shall be subject or subordinate to (x) any lien or security interest that is avoided and preserved for the benefit of the Debtors and their estates under section 551 of the Bankruptcy Code, (y) any lien or security interest heretofore or hereinafter granted in the Chapter 11 Cases, or (z) any intercompany or affiliate liens of the Debtor. The Citi LC Liens shall not be subject to sections 510, 549, 550 or 551 of the Bankruptcy Code.

8. The Debtors are authorized and directed to deposit cash into, and shall at all times maintain cash in, the Letter of Credit Account in an amount sufficient to satisfy the L/C Deposit Amount (as defined in the Citi Reimbursement Agreement).

9. The Debtors shall pay in cash all reasonable and documented fees and expenses incurred by Citibank, whether incurred prepetition or postpetition, (including the reasonable and documented fees and expenses of Citibank's professionals, including legal counsel) in accordance with the Citi Reimbursement Documents; provided, however, that with respect to the payment of reasonable and documented fees and expenses of Citibank's professionals, the Debtors shall pay such reasonable and documented fees and expenses within fifteen (15) days after receipt of a reasonably detailed invoice therefor, and such fees and expenses shall not be subject to Bankruptcy Court approval, provided that if the Debtors, the United States Trustee, the Consenting Holders, or counsel for any creditors' committee objects to the reasonableness of any fees and expenses of Citibank's professionals and cannot resolve such objection within ten (10) days of receipt of such invoices, the United States Trustee or the creditors' committee, as the case may be, shall file and serve on Citibank, N.A. and its professionals an objection limited to the issue of reasonableness of such fees and expenses. The Debtors shall timely pay the invoices of Citibank's professionals on or prior to the expiration of the fifteen (15) day period if no objection is received. If a fee objection is timely received, the Debtors shall only be required to pay the undisputed amount of the applicable invoice and the Bankruptcy Court shall have jurisdiction to determine the disputed portion of such invoice if the parties are unable to resolve the dispute.

10. Effective immediately upon entry of this Final Order, Citibank is hereby granted, on account of the Reimbursement Obligations, a claim against the Applicant that has administrative expense status pursuant to sections 364(c), 503(b), 507(a)(2), and 507(b) of the Bankruptcy Code (the "Citi Administrative Claim").

11. The automatic stay imposed under section 362(a) of the Bankruptcy Code is hereby modified to effectuate all of the terms, rights, benefit, privileges, remedies and provisions of this Final Order and the Citi Reimbursement Documents, without further notice, motion, application to, order of, or hearing before, this Court, and only to the extent necessary to permit Citibank to exercise any and all such rights, benefits, privileges and remedies in accordance with the terms of this Final Order and the Citi Reimbursement Documents. The automatic stay imposed under section 362(a) of the Bankruptcy Code is hereby modified to permit Citibank, N.A. (a) to exercise its control over the Letter of Credit Account and to reimburse itself with funds contained therein for the amount due upon any drawing under a Letter of Credit (including any applicable fees that are due and payable in connection therewith under the Citi Reimbursement Documents) or for any other Reimbursement Obligations that are due and payable, and (b) solely upon the occurrence and during the continuance of any Event of Default under, and as defined in, the Citi Reimbursement Agreement, to declare all amounts thereunder due and payable, and to exercise all other rights and remedies provided for in the Citi Reimbursement Documents without further notice, motion or application to, order of or hearing before, this Court.

12. As a further condition of the Citi L/C Facility, the Debtors (and any successors thereto or any representative thereof, including any trustees appointed in the Chapter 11 Cases or any successor cases) shall be deemed to have waived any rights, benefits or causes of action under section 506(c) of the Bankruptcy Code as they may related to or be asserted against Citibank, the Citi LC Liens, or the L/C Collateral. Nothing in this Final Order or the Citi Reimbursement Documents shall be deemed consent by Citibank to any charge, lien, assessment or claim against, or in respect of, the L/C Collateral under section 506(c) of the Bankruptcy Code or otherwise. The Applicant shall not grant any Lien on the L/C Collateral (other than the Citi LC Liens) without the written consent of Citibank, N.A.

13. In accordance with section 364(e) of the Bankruptcy Code, if any or all of the provisions of this Final Order are hereafter reversed, modified, vacated or stayed, such reversal, modification, vacatur or stay shall not affect the (a) validity of any Reimbursement Obligations owing to Citibank as of the effective date of such reversal, modification, vacatur or stay, or (b) validity or enforceability of any claim, lien or security interest authorized or created hereby or pursuant to the Citi Reimbursement Documents with respect to any Reimbursement Obligations. Notwithstanding any such reversal, modification, vacatur or stay, the incurrence of Reimbursement Obligations shall be governed in all respects by the provisions of this Final Order, and Citibank shall be entitled to all of the rights,

remedies, protections and benefits granted under section 364(e) of the Bankruptcy Code, this Final Order and the Citi Reimbursement Documents with respect to the incurrence of the Reimbursement Obligations.

14. To the extent permitted by applicable law, this Final Order shall bind the (i) Debtors, (ii) Citibank, (iii) all other parties in interest in these cases, and (iv) any successor to the Debtors, including, without limitation, any trustee hereafter appointed for the estate of any of the Debtors, whether in these Chapter 11 Cases or in the event of the conversion of any of the Chapter 11 Cases to a liquidation under chapter 7 of the Bankruptcy Code. The Debtors and Citibank are hereby authorized to implement, in accordance with the terms of the Citi Reimbursement Documents, any non-material modifications (including without limitation, any change to the identity of the issuer under the Citi Reimbursement Agreement) of the Citi Reimbursement Documents or replace the Citi LC Facility with a letter of credit facility with another issuer with material terms that are substantially the same as the Citi LC Facility without further notice, motion or application to, order of or hearing before, this Court. To the extent any provision of this Final Order conflicts with any provision of the Motion or any Citi Reimbursement Document, the provisions of this Final Order shall control.

15. Entry of this Final Order shall constitute sufficient notice of a proper termination pursuant to Section 18 of that certain *Revolving Letter of Credit Reimbursement Agreement*, between GenOn Energy, Inc., and NRG Energy, Inc., among others, dated June 14, 2017 (the "NRG LC Agreement") and approved by the Court pursuant to an interim order dated June 15, 2017; *provided*, for the avoidance of doubt, that the NRG LC Agreement shall not be terminated by the Debtors until the other conditions to termination set forth in section 18 thereof are satisfied.

16. Notwithstanding anything in this Order or the terms of the Reimbursement Documents to the contrary, the Debtors are authorized, but not directed, to substitute post-petition letters of credit in exchange for expiring pre-petition letters of credit, surety bonds, or other credit support, whether or not such prepetition credit support was issued under or supported by the Prepetition Credit Agreement, if and only if, such substitution occurs on a date that is within 14 days of the time by which the Debtors would replace such letter of credit, surety bond, or other credit support as required by any related contract, regulation, or applicable law, or as would be consistent with historical practice; *provided, however,* all claims, rights and remedies, if any, of the Debtors, the Ad Hoc Committee, NRG and all other parties in interest with respect to such replacements are reserved, and *provided, further,* that, all claims, rights and remedies, if any, of the Debtors, the Ad Hoc Committee and all other parties in interest with respect to the replacement

of pre-petition letters of credit issued under the Prepetition Credit Agreement with post-petition letters of credit issued or supported by NRG under the LC Facility or otherwise are specifically reserved, and *provided, further,* that, the foregoing provisos shall not apply to (i) the Citi LC Facility, (ii) Citibank, N.A., in its capacities as the Issuing Bank or Secured Party, (iii) Citigroup Global Markets Inc., in its capacity as Sole Leader Arranger and Sole Bookrunner, (iv) the Citi Reimbursement Documents, (v) the Reimbursement Obligations, (vi) the L/C Collateral, (vii) the Citi LC Liens, (viii) the Citi LC Property, or (ix) the Citi Administrative Claim, in each case as and to the extent approved in this Final Order.

17. Notwithstanding the relief granted in this Final Order and any actions taken pursuant to such relief, nothing in this Final Order shall be deemed: (a) an admission as to the validity of any prepetition claim against a Debtor; (b) a waiver of the rights of the Debtors or any other party in interest to dispute any prepetition claim on any grounds; (c) a promise or requirement to pay any prepetition claim; (d) an implication or admission that any particular claim (other than the Citi Administrative Claim) is of a type specified or defined in this Order or the Motion; (e) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver of the rights of the Debtors or any other party in interest to dispute the pricing or allocation with respect to any intercompany transactions or arrangements; or (g) a waiver of the Debtors' or any other parties rights under the Bankruptcy Code or any other applicable law.

18. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Final Order.

19. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these Chapter 11 Cases with respect to prepetition amounts owed in connection with the Intercompany Arrangements.

20. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Bankruptcy Local Rules are satisfied by such notice.

21. Notwithstanding Bankruptcy Rule 4001(a)(3) and 6004(h), the terms and conditions of this Final Order are immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

22. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Final Order in accordance with the Motion.

23. This Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

Dated: _____, 2017
Houston, Texas

United States Bankruptcy Judge

Exhibit 1

Citi Reimbursement Agreement

Exhibit 2

L/C Control Agreement

Schedule I

Existing Letters of Credit

1. Irrevocable Standby Letter of Credit Number 69610441, dated as of June 30, 2017, issued by the Issuing Bank in favor of Washington Gas Light Company with a stated amount of $3,000,000.

Exhibit 10.2

AMENDMENT TO LETTER OF CREDIT AGREEMENT

This AMENDMENT TO LETTER OF CREDIT AGREEMENT, dated as of July 5, 2018 (this " Amendment"), is entered into by and among GENON ENERGY, INC., a Delaware corporation (the " Applicant") and CITIBANK, N.A. ("Citibank" and the "Issuing Bank"), and is made with reference to the Facility Agreement (defined below). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Facility Agreement (as defined below).

W I T N E S S E T H :

WHEREAS, reference is hereby made to the Letter of Credit Agreement, dated as of July 14, 2017 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to, but not including, the date hereof, the "Facility Agreement"; the Facility Agreement as amended by this Amendment, the "Amended Facility Agreement"), by and among the Applicant and the Issuing Bank;

WHEREAS, the parties hereto wish to amend the Facility Agreement as set forth herein, subject to the terms and conditions set forth below;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to the Facility Agreement.

(i) The definition of "L/C Exposure Cap" in Section 1.01 of the Facility Agreement is hereby amended by deleting "$300,000,000" and replacing it with "$150,000,000".

(ii) The definition of "Termination Date" in Section 1.01 of the Facility Agreement is hereby amended by deleting phrase "one year" in clause (a) thereof and replacing it with the phrase "eighteen (18) months".

2. Conditions to Effectiveness of this Amendment. This Amendment shall become effective as of the date upon which all of the following conditions are satisfied (the "Amendment Effective Date"):

(a) the Issuing Bank shall have received the counterparts hereof, duly executed on behalf of the Applicant and the Issuing Bank;

(b) the Applicant shall have paid all costs, fees, expenses (including, without limitation, reasonable and documented legal fees and expenses) and other compensation payable to the Issuing Bank to the extent due and invoices at least one (1) day prior to the Amendment Effective Date; and

(c) the Applicant shall have filed a notice of this Amendment with the Bankruptcy Court, which notice shall be reasonably satisfactory to Citibank.

3. Acknowledgment of Security Interest. Pursuant to the L/C Cash Collateral Agreement, the Applicant granted a security interest in favor of Citibank, in its capacity as secured party in its Collateral (as defined in the L/C Cash Collateral Agreement). The Applicant hereby ratifies and reaffirms its pledge, grant of security interest and liens and other obligations under and subject to the terms of the L/C Cash Collateral Agreement, and agrees that after the Amendment Effective Date, such pledge, grant of security interest and liens and other obligations, and the terms of the L/C Cash Collateral Agreement, are not impaired or adversely affected in any manner whatsoever and shall continue to be in full force and effect and shall continue to secure all the Obligations, as amended and extended pursuant to this Amendment.

4. Representations and Warranties.

(a) The execution, delivery and performance by the Applicant of this Amendment (i) has been duly authorized by all corporate or stockholder action required to be obtained by the Application and (ii) will

not violate (x) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or by-laws of the Applicant, (y) any applicable order of any court or any rule, regulation or order of any Governmental Authority or (z) any indenture, agreement or other instrument to which the Applicant is a party, with respect to clauses (y) and (z) where any such violation would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) This Amendment has been duly executed and delivered by the Applicant and constitutes a legal, valid and binding obligation of the Applicant enforceable against the Applicant in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

(c) No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the execution, delivery and performance by the Applicant of this Amendment except for (a) such consents, authorizations, filings or other actions that have been made or obtained and are in full force and effect and (b) such actions, consents and approvals the failure to be obtained or made which would not reasonably be expected to have a Material Adverse Effect.

(d) All of the representations and warranties set forth in the Facility Agreement and the other Facility Documents are true and correct in all material respects (or in all respects if any such representation and warranty if already qualified by materiality) as of the date hereof with the same force and effect as though made on and as of such date (except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (or, if applicable, all respects) as of such earlier date).

(e) No Default or Event of Default has occurred and is continuing immediately before and after giving effect to this Amendment.

5 . Reference to and Effect on the Facility Documents. On and after the Amendment Effective Date, this Amendment shall constitute a "Facility Document" for purposes of the Amended Facility Agreement and each reference in the Facility Agreement to "this Agreement", "hereunder", "hereof" or words of like import, and each reference in each of the other Facility Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import, shall mean and be a reference to the Amended Facility Agreement. Except as expressly set forth in this Amendment, all of the terms and provisions of the Facility Agreement and the other Facility Documents are and shall remain in full force and effect and the Applicant shall continue to be bound by all of such terms and provisions. This Amendment is limited as specified herein and shall not constitute an amendment or waiver of, or an indication of the Issuing Bank's willingness to amend or waive, any other provisions of the Facility Agreement or the other Facility Documents for any other date or purpose.

6 . Applicable Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

7 . Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart to this Amendment by facsimile transmission shall be as effective as delivery of a manually signed original.

8 . Severability. In the event that any one or more of the provisions contained in this Amendment should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

9. Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT

OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AMENDMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.

10. Entire Agreement. This Amendment and the other Facility Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among or representations from the parties or their Affiliates with respect to the subject matter hereof is superseded by the Amendment and the other Facility Documents.

11. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the Applicant and Issuing Bank have caused their names to be duly signed to this Amendment by their respective officers thereunto duly authorized, all as of the date first above written.

GENON ENERGY, INC., as Applicant

By: /s/ Mark McFarland
Name: Mark McFarland
Title: Chief Executive Officer

CITIBANK N.A., as Issuing Bank

By: /s/ Allister Chan
Name: Allister Chan
Title: Vice President

Exhibit 10.3.1

Appendix B

Term Sheet for NRG Settlement Agreement[1]

1. NRG and GenOn to waive any unsatisfied conditions precedent to the NRG Settlement Agreement for all purposes, including the Plan. GenOn and NRG to consummate the NRG Settlement Agreement no later than July 16, 2018. The NRG Settlement Agreement shall be deemed consummated upon NRG paying $124.7 million in cash to GenOn, subject to post-closing adjustments, if any, within 30 days thereafter. Such consummation shall be a condition precedent to the making of any interim distributions.

2. NRG to assign its historical claims ($8.4 million asserted) against REMA to GenOn in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement.

3. The monthly settlement of NRG's non-historical intercompany claims with GenOn to continue normal course.

4. Until REMA has provided NRG a release, GenOn to post a $10 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG. GenOn shall have no obligation to indemnify NRG for any exposure beyond $10 million. The indemnification and letter of credit shall automatically terminate and GenOn shall have no ongoing obligations to NRG if and when REMA provides NRG a release consistent with Article IX.E of the Plan. If GenOn unable to cause the issuance of the $10 million letter of credit prior to July 16, 2018, NRG shall be entitled to holdback $10 million from the payment contemplated under paragraph 1 hereof until such issuance occurs (at which point NRG shall remit the $10 million holdback amount to GenOn).

5. GenOn to use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; in furtherance of the same, GenOn authorizes NRG and its cash management team, with the consent of the GenOn management team, to cause replacement letters of credit to be issued under GenOn's current DIP LC Facility or such other form of acceptable credit support provided by GenOn and/or its subsidiaries, provided that no replacement letter of credit shall exceed the amount of the applicable letter of credit being replaced. Replacement to occur no later than August 15, 2018; provided that if such replacement does not occur by such time and NRG has used best efforts to effectuate the replacement, GenOn and/or its subsidiaries will provide credit support to NRG in the form of a letter of credit or cash collateral for any such NRG letters of credit that have not been replaced until such time of the replacement. NRG to continue to support the process to replace letters of credit issued under the Revolving Credit Agreement, at no cost, if it continues beyond August 15, 2018. In the event that any outstanding letter of credit issued under the Revolving Credit Agreement is drawn after consummation of the NRG Settlement, GenOn shall fully reimburse NRG for the resulting claim no later than August 15, 2018.

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1 Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in GenOn's confirmed chapter 11 plan (as amended, supplemented, or otherwise modified from time to time, the "Plan").

6. The treatment of surety bonds procured by NRG, regardless of when procured and whether drawn or undrawn, for the benefit of GenOn and/or its subsidiaries under the Plan shall remain unchanged except that (i) if GenOn effectuates a further interim distribution before December 15, 2018, then GenOn shall provide such treatment no later than December 15, 2018, and (ii) if GenOn effectuates a further interim distribution after December 15, 2018, then GenOn shall provide such treatment contemporaneously with such distribution.

7. NRG and GenOn to use commercially reasonable efforts to negotiate, in good faith, and finalize reasonable, mutually acceptable changes in respect of the tax matters agreement, exit planning, and related indemnification obligations.

8. NRG to continue to reasonably cooperate with GenOn and REMA in relation to claims GenOn may assert against REMA, including providing historical diligence related to any and all such claims by or against REMA.

9. Pursuant to its termination notice, the TSA shall be deemed terminated as of August 15, 2018, and GenOn waives the early services termination fee in exchange for NRG's provision of payroll services, at no cost and consistent with historical practice, on behalf of GenOn and its subsidiaries (including GenMA and REMA) with reference to payroll periods ending October 21, 2018. Parties acknowledge that NRG has no obligations to provide any Shared Services under the TSA—with the sole exception of payroll services— beyond August 15, 2018, and that NRG shall have no obligation to provide payroll services beyond the October 21, 2018 payroll period.

10. NRG to withdraw its objection and not oppose the relief requested in the interim distribution motion, provided that this term sheet is appended to the order on the interim distribution motion and specifically approved by the Court.

* * * *

EXHIBIT 31.1

CERTIFICATION

I, Mark Allen McFarland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GenOn Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK ALLEN MCFARLAND

Mark Allen McFarland
Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2018

EXHIBIT 31.2

CERTIFICATION

I, Kirkland B. Andrews, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GenOn Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ KIRKLAND B. ANDREWS

Kirkland B. Andrews
Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2018

EXHIBIT 31.3

CERTIFICATION

I, David Callen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GenOn Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID CALLEN

David Callen
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 7, 2018

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GenOn Energy, Inc. on Form 10-Q for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-Q.

Date: August 7, 2018

/s/ MARK ALLEN MCFARLAND
Mark Allen McFarland
Chief Executive Officer
(Principal Executive Officer)

/s/ KIRKLAND B. ANDREWS
Kirkland B. Andrews
Chief Financial Officer
(Principal Financial Officer)

/s/ DAVID CALLEN
David Callen
Chief Accounting Officer
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Form 10-Q or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to GenOn Energy, Inc. and will be retained by GenOn Energy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.