

## **EME Reorganization Trust**

### **Trustees' Annual Report<sup>1</sup>**

**For the period of April 1, 2014 (Effective Date) through December 31, 2014**

**(Unaudited)**

**February 27, 2015**

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<sup>1</sup> This report was prepared pursuant to Sections 9.3(a) and 9.3(b) of the Reorganization Trust Agreement, dated April 1, 2014 by and among the Managing Trustees listed on the signature pages thereto and Wilmington Trust, National Association (the "**Trust Agreement**"). Capitalized terms used but not otherwise defined herein have the meanings given to such terms in the Trust Agreement.

Section 9.3(a) provides, in relevant part, that the Reorganization Trust shall prepare and post to a public website, on a quarterly and annual basis, financial reports that fairly present the assets, liabilities, income and expenses of the Reorganization Trust for and as of the end of each reporting period. The financial statements shall be prepared on a consistent basis (except as disclosed in the notes thereto), but need not be prepared in accordance with Generally Accepted Accounting Principles.

Section 9.3(b) provides, in relevant part, that the Reorganization Trust shall prepare and post to a public website, no later than sixty (60) days after the end of each fiscal quarter, reports containing the following information regarding the activity of the Reorganization Trust during (i) the most recently completed fiscal quarter and (ii) in the report prepared after the end of each fiscal year, (A) the most recently completed fiscal year and (B) the time period since the Effective Date:

- (1) the material Trust Assets disposed of during the relevant period and the material Trust Assets remaining as of the end of such period;
- (2) the distributable Cash and common stock of NRG Energy, Inc. distributed during the relevant period, in the aggregate and on a per Beneficial Interest basis;
- (3) the aggregate total amount of remaining expenses set forth in the Reorganization Trust Budget for the expected operation of the Reorganization Trust; and
- (4) such other information as the Managing Trustees may determine to include from time to time.

The Reorganization Trust may not disclose confidential information in such reports (including the Reorganization Trust Budget) other than to Beneficiaries or third parties subject to appropriate confidentiality protections.

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## I. ASSETS AND LIABILITIES OF THE TRUST

EME REORGANIZATION TRUST  
Report of Net Assets and Liabilities  
Estimated as of: December 31, 2014  
(Unaudited)

	<u>Estimated Value</u> <u>as of 12/31/2014</u>
<u>ASSETS</u>	
Cash balance	\$ 228,190,433
Professional fee and service retainers	1,568,252
Retained causes of action <sup>(1)</sup>	-
Right to receive EIX notes under EIX settlement <sup>(2)</sup>	-
Prepaid expenses and deposits	<u>171,666</u>
Total Assets	229,930,351
 <u>LIABILITIES</u>	
<u>Reserves:</u>	
Disputed claims reserve <sup>(3)</sup>	(174,273,027)
EIX escrow	-
Trust wind down budget	(50,399,631)
Professional fee escrow	-
Big Sky sale - Suzlon escrow	-
Total reserves	<u>(224,672,658)</u>
Estimated net assets and liabilities	<u>\$ 5,257,693</u>

### Notes:

<sup>(1)</sup> Retained Causes of Action: Included as Exhibit F of the Plan Supplement is a list of Retained Causes of Action that are being investigated by the Reorganization Trust. Due to the uncertainties in the amount and timing of any recovery from potential litigation, the Retained Causes of Action are valued at zero for accounting purposes. Upon further investigation, the Reorganization Trust may determine that some of the Retained Causes of Action should have a higher valuation.

<sup>(2)</sup> Right to Receive EIX Notes: Pursuant to the EIX Settlement Agreement, EIX issued to the Reorganization Trust certain zero-coupon unsecured notes on September 8, 2014, related to tax attributes retained by EIX pursuant to the settlement in an aggregate principal amount of \$417,574,909. On September 25, 2014, the Reorganization Trust consummated the sale of the EIX Notes at an aggregate amount of \$400,207,813 to an unaffiliated third party. See "VI. MISCELLANEOUS INFORMATION - Resolution of Final Tax Schedule under EIX Settlement Agreement and Sale of EIX Notes" for more information on the sale of the EIX Notes.

<sup>(3)</sup> Disputed Claims Reserve: Included as Exhibit I of the Plan Supplement, the initial Disputed Claims Reserve was \$255,747,515. From the Effective Date to December 31, 2014, \$81,474,488 has been disbursed from this reserve for claim settlements.

This report has been prepared in accordance with Section 9.3 of the Trust Agreement. This report of net assets and liabilities is not audited and has not been prepared in accordance with Generally Accepted Accounting Principals or the requirements of any other regulatory or professional body or organization.

## II. INCOME AND EXPENSES OF THE TRUST

EME REORGANIZATION TRUST  
Report of Cash Receipts and Disbursements  
For the period: October 1, 2014 through December 31, 2014  
(UNAUDITED)

	Most Recent Quarter 10/1/14 - 12/31/14	Annual Effective Date to 12/31/14
Beginning cash balance	\$ 679,801,889	\$ -
<u>CASH RECEIPTS - Initial funding:</u>		
Plan of reorganization net cash flow	-	97,034,609
Disputed claims reserve	-	255,747,515
Houlihan Lokey escrow	-	4,366,491
Professional fee escrow	-	34,436,851
Compensation and benefits escrow	-	79,713,378
EIX escrow	-	50,000,000
Big Sky sale - Suzlon escrow	-	500,014
Total - initial funding	<u>-</u>	<u>521,798,858</u>
<u>CASH RECEIPTS - Post Effective Date:</u>		
EIX Notes sale proceeds	-	400,207,813
Final payroll true-up (EIX & NRG)	-	4,046,022
EIX retainer settlement	-	2,332,000
Escrow and retainer releases	1,714,987	114,981,885
Workers compensation refunds	504,724	2,345,178
Other receipts	<u>3,881</u>	<u>190,560</u>
Total - wind down receipts	<u>2,223,592</u>	<u>524,103,458</u>
Total cash receipts	2,223,592	1,045,902,316
<u>CASH DISBURSEMENTS - From reserves</u>		
Compensation and benefits escrow payments	(136)	(79,713,514)
EIX escrow payments or release	1,230	(50,000,000)
Professionals final fee applications	2,192	(34,436,851)
Houlihan Lokey escrow payments	(300)	(4,366,491)
Disputed claims reserve payments or release	(821,969)	(81,474,488)
Big Sky sale - Suzlon escrow payments	<u>(97,103)</u>	<u>(500,038)</u>
Total - disbursements from reserves	(916,086)	(250,491,382)
<u>CASH DISBURSEMENTS - Post Effective Date:</u>		
Distributions to Beneficial Interest Holders	(388,939,025)	(481,196,538)
Advisors incentive fees	(59,967,115)	(66,024,278)
NRG asset purchase agreement adjustments	-	(2,952,205)
Legal and professional fees	(2,339,087)	(11,803,786)
Trust employee payroll and benefits	(885,751)	(3,154,020)
EIX - union retirees PBOB	-	(517,752)
IT, data and document retention	(184,711)	(440,180)
Trust board of director fees	(103,125)	(412,500)
US Trustee fees	(42,025)	(154,769)
Insurance	-	(76,657)
Other administrative costs	<u>(458,123)</u>	<u>(487,816)</u>
Total - wind down disbursements	<u>(452,918,962)</u>	<u>(567,220,502)</u>
Total cash disbursements	(453,835,048)	(817,711,884)
Ending cash balance	<u>\$ 228,190,433</u>	<u>\$ 228,190,433</u>

*This report has been prepared in accordance with Section 9.3 of the Trust Agreement. This report of cash receipts and disbursements is not audited and has not been prepared in accordance with Generally Accepted Accounting Principles or the requirements of any other regulatory or professional body or organization.*

### III. MATERIAL TRUST ASSETS

#### A. Material Assets Disposed during the period October 1, 2014 to December 31, 2014

On October 31, 2014, the Reorganization Trust distributed cash in the amount of \$448.9 million to holders of Beneficial Interests of the Reorganization Trust and to related professional advisors. The net cash component amount to the holders of Beneficial Interests after advisor fees was \$338.9 million or \$0.10093 per Beneficial Interest. The Reorganization Trust also disbursed \$4.0 million related to other post-Effective Date wind down activities, including for other fees, payroll, benefits and other administrative costs, for total wind down disbursements of \$452.9 million for the period. The Reorganization Trust additionally disbursed or released \$0.9 million from reserves.

#### B. Material Assets Disposed during the period April 1, 2014 (Effective Date) to December 31, 2014

During the reporting period, the Reorganization Trust distributed cash and NRG common stock in the total aggregate amount of \$3,445.7 million to holders of Beneficial Interests and to related professional advisors. The net cash component amount to the holders of Beneficial Interests after advisor fees was \$2,973.0 million or \$0.77149 per Beneficial Interest. The Reorganization Trust also disbursed \$17.0 million related to other post-Effective Date wind down activities, including for other fees, payroll, benefits and other administrative costs, for total wind down disbursements of \$567.2 million for the period. The Reorganization Trust additionally disbursed or released \$250.5 million from reserves.

#### C. Material Trust Assets Remaining as of December 31, 2014

As of December 31, 2014, the material Trust Assets remaining consisted primarily of cash in the total aggregate amount of \$228.2 million, of which \$174.3 million was reserved for disputed claims and various escrowed amounts.

During the period April 1, 2014 (Effective Date) through December 31, 2014, the Reorganization Trust received \$524.1 million of cash recoveries consisting of:

EIX Notes sale proceeds	\$ 400,207,813
Escrow and retainer releases	114,981,885
Final payroll true-up (EIX & NRG)	4,046,022
Workers compensation refunds	2,345,178
EIX retainer settlement	2,332,000
Other receipts	190,560
Total	<u>\$ 524,103,458</u>

#### IV. DISTRIBUTABLE CASH AND COMMON STOCK (IN THE AGGREGATE AND ON A PER BENEFICIAL INTEREST BASIS)

The Reorganization Trust made three distributions to holders of Beneficial Interests and to related professional advisors during the period of the Effective Date to December 31, 2014, one of which was made on October 31, 2014. The aggregate amount of the distributions through December 31, 2014 consisted of the following:

	Amount	% of Recovery	% of Claim
Cash component	\$2,973,099,371	86.23%	77.15%
Stock component	\$394,708,514	13.17%	10.24%
Advisor fees	\$77,865,059	0.60%	2.02%
<b>Total recovery</b>	<b>\$3,445,672,944</b>	<b>100.00%</b>	<b>89.41%</b>

#### Description of distributions:

- An initial distribution of NRG common stock and cash was made on the Effective Date in accordance with the terms of the Plan in the aggregate amount of \$2,898,356,879 to holders of Beneficial Interests and to related professional advisors. The net cash component amount to holders of Beneficial Interests was \$2,491,807,194 or \$0.64662 per Beneficial Interest.
- On July 31, 2014, a cash distribution was made in accordance with the terms of the Plan in the aggregate amount of \$98,314,286 to holders of Beneficial Interests and to related professional advisors. The net cash component amount to the holders of Beneficial Interests after advisor fees was \$92,257,513 or \$0.02394 per Beneficial Interest.
- On October 31, 2014, a cash distribution was made in accordance with the terms of the Plan in the aggregate amount of \$448,906,139 to holders of Beneficial Interests and to related professional advisors. The net cash component amount to the holders of Beneficial Interests after advisor fees was \$388,939,025 or \$0.10093 per Beneficial Interest.

**V. AGGREGATE REMAINING EXPENSES IN THE REORGANIZATION TRUST BUDGET**

EME REORGANIZATION TRUST

Aggregate Expenses Remaining in the Reorganization Trust Budget  
 For the period: April 1, 2014 (Effective Date) through December 31, 2014  
 (Unaudited)

<u>Category</u>	Original Budget	Expenditures To Date	Remaining Budget
Legal	\$ 24,600,000	\$ (5,657,221)	\$ 18,942,779
Other professionals	26,410,267	(6,146,565)	20,263,702
Payroll and benefits	10,226,789	(3,154,020)	7,072,769
Board fees	2,500,000	(412,500)	2,087,500
Other general and administrative costs	3,297,555	(1,677,174)	1,620,381
	\$ 67,034,611	\$ (17,047,480)	\$49,987,131

*This report has been prepared in accordance with Section 9.3 of the Trust Agreement. This report of aggregate expenses remaining in the Reorganization Trust budget is not audited and has not been prepared in accordance with Generally Accepted Accounting Principles or the requirements of any other regulatory or professional body or organization.*

## VI. MISCELLANEOUS INFORMATION

EME HOMER CITY GENERATION LP  
Report of Cash Receipts and Disbursements  
For the period: April 1, 2014 (Effective Date) through December 31, 2014  
(UNAUDITED)

Beginning cash balance		\$ 167,834
<u>Receipts:</u>		
Liberty Mutual collateral return	4,060,143	
AEGIS collateral return	2,010,518	
Argo collateral return	888,975	
Other receipts	<u>33,138</u>	
Total receipts		6,992,775
<u>Disbursements:</u>		
Distributions to Retirees	(3,719,672)	
Legal fees	(117,628)	
Other administrative costs	<u>(14,789)</u>	
Total - wind down disbursements		<u>(3,852,090)</u>
Ending cash balance		<u>\$ 3,308,519</u>

*This report has been prepared in accordance with Section 9.3 of the Trust Agreement. This report of net assets and liabilities is not audited and has not been prepared in accordance with Generally Accepted Accounting Principles or the requirements of any other regulatory or professional body or organization.*



## **VI. MISCELLANEOUS INFORMATION (Continued)**

### **Resolution of Final Tax Schedule under EIX Settlement Agreement and Sale of EIX Notes:**

On August 29, 2014, the Reorganization Trust announced that it entered into an agreement with EIX that settled the final amounts payable to the Reorganization Trust by EIX related to certain tax attributes of EME as contemplated by the EIX Settlement Agreement.

In connection with the settlement, EIX issued to the Reorganization Trust on September 8, 2014, (a) zero coupon unsecured notes due September 30, 2015 in an aggregate principal amount of \$203,619,052 and (b) zero coupon unsecured notes due September 30, 2016 in an aggregate principal amount of \$213,955,857. On September 25, 2014, the Reorganization Trust consummated the sale of beneficial interests in such zero coupon unsecured notes to an unaffiliated third party at an aggregate purchase price of \$400,207,812.94.

EIX and the Reorganization Trust also agreed in the settlement to distribute all cash and other assets from an escrow account that was established by the parties under the EIX Settlement Agreement as the sole and exclusive source of funding for any and all liabilities for claims that EIX might have against the Reorganization Trust, its assets, or any of the EME-released parties under the EIX Settlement Agreement. The Trust received \$48,700,000 from the escrow and \$1,300,000 was released to EIX.

### **Resolution of Disputes with the Pennsylvania Department of Revenue Regarding Gross Receipts Tax Liability of Edison Mission Marketing & Trading**

On November 5, 2014, the Pennsylvania Board of Finance and Revenue entered compromise orders resolving disputes regarding the gross receipts tax liability of Edison Mission Marketing & Trading Inc. (“EMMT”) for the 2005 – 2008 and 2010 tax years. The amount of EMMT’s gross receipts tax liability, as set forth in the compromise orders, has not yet been publicly disclosed. The Reorganization Trust intends to issue a press release regarding the amount of EMMT’s gross receipts tax liability for the 2005 – 2008 and 2010 tax years in the near term. The Reorganization Trust also anticipates that such press release will provide details regarding disputes over EMMT’s gross receipts tax liability for the 2009 tax year.

## **VI. MISCELLANEOUS INFORMATION (Continued)**

### **MATERIAL RECENT DEVELOPMENTS**

#### ***Resolution of Disputed Claim***

Subsequent to December 31, 2014, ComEd and the Reorganization Trust reached a settlement on ComEd's claim for rejection damages under a rail car agency agreement. Pursuant to the settlement, the Reorganization Trust paid ComEd \$13.75 million in full satisfaction of ComEd's \$20.1 million claim.