
**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 MARCH 31, 2019

— OR —

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-38086

Vistra Energy Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

36-4833255
(I.R.S. Employer Identification No.)

6555 Sierra Drive, Irving, Texas 75039
(Address of principal executive offices) (Zip Code)

(214) 812-4600
(Registrant's telephone number, including area 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. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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 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 if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	VST	New York Stock Exchange
Warrants	VST.WS.A	New York Stock Exchange
7.00% tangible equity units	DYNC	New York Stock Exchange

As of April 30, 2019, there were 482,614,988 shares of common stock, par value \$0.01, outstanding of Vistra Energy Corp.

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Vistra Energy Corp.'s (Vistra Energy) annual reports, quarterly reports, current reports and any amendments to those reports are made available to the public, free of charge, on the Vistra Energy website at <http://www.vistraenergy.com>, as soon as reasonably practicable after they have been filed with or furnished to the Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. Additionally, Vistra Energy posts important information, including press releases, investor presentations, sustainability reports, and notices of upcoming events on its website and utilizes its website as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under Regulation FD. Investors may be notified of posting to the website by signing up for email alerts and RSS feeds on the "Investor Relations" page of Vistra Energy's website. The information on Vistra Energy's website shall not be deemed a part of, or incorporated by reference into, this quarterly report on Form 10-Q. The representations and warranties contained in any agreement that we have filed as an exhibit to this quarterly report on Form 10-Q, or that we have or may publicly file in the future, may contain representations and warranties that may (i) be made by and to the parties thereto at specific dates, (ii) be subject to exceptions and qualifications contained in separate disclosure schedules, (iii) represent the parties' risk allocation in the particular transaction, or (iv) be qualified by materiality standards that differ from what may be viewed as material for securities law purposes.

This quarterly report on Form 10-Q and other Securities and Exchange Commission filings of Vistra Energy and its subsidiaries occasionally make references to Vistra Energy (or "we," "our," "us" or "the Company"), Luminant, TXU Energy, Value Based Brands LLC, Dynege Energy Services or Homefield Energy when describing actions, rights or obligations of their respective subsidiaries. These references reflect the fact that the subsidiaries are consolidated with, or otherwise reflected in, their respective parent company's financial statements for financial reporting purposes. However, these references should not be interpreted to imply that the parent company is actually undertaking the action or has the rights or obligations of the relevant subsidiary company or vice versa.

GLOSSARY

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

ARO	asset retirement and mining reclamation obligation
CAA	Clean Air Act
CAISO	The California Independent System Operator
CCGT	combined cycle gas turbine
CME	Chicago Mercantile Exchange
CO₂	carbon dioxide
Dynergy	Dynergy Inc., and/or its subsidiaries, depending on context
Dynergy Energy Services	Dynergy Energy Services, LLC and Dynergy Energy Services (East), LLC (d/b/a Dynergy and Brighten Energy), indirect, wholly owned subsidiaries of Vistra Energy, that are REPs in certain areas of MISO and PJM, respectively, and are engaged in the retail sale of electricity to residential and business customers.
EBITDA	earnings (net income) before interest expense, income taxes, depreciation and amortization
Effective Date	October 3, 2016, the date our predecessor completed its reorganization under Chapter 11 of the U.S. Bankruptcy Code
Emergence	emergence of our predecessor from reorganization under Chapter 11 of the U.S. Bankruptcy Code as subsidiaries of a newly formed company, Vistra Energy, on the Effective Date
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas, Inc.
Exchange Act	Securities Exchange Act of 1934, as amended
FERC	U.S. Federal Energy Regulatory Commission
GAAP	generally accepted accounting principles
GWh	gigawatt-hours
Homefield Energy	Illinois Power Marketing Company (d/b/a Homefield Energy), an indirect, wholly owned subsidiary of Vistra Energy, a REP in certain areas of MISO that is engaged in the retail sale of electricity to municipal customers
ICE	IntercontinentalExchange
IRS	U.S. Internal Revenue Service
ISO	independent system operator
ISO-NE	Independent System Operator New England
LIBOR	London Interbank Offered Rate, an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market
load	demand for electricity
LTSA	long-term service agreements for plant maintenance
Luminant	subsidiaries of Vistra Energy engaged in competitive market activities consisting of electricity generation and wholesale energy sales and purchases as well as commodity risk management
market heat rate	Heat rate is a measure of the efficiency of converting a fuel source to electricity. Market heat rate is the implied relationship between wholesale electricity prices and natural gas prices and is calculated by dividing the wholesale market price of electricity, which is based on the price offer of the marginal supplier (generally natural gas plants), by the market price of natural gas
Merger	the merger of Dynergy with and into Vistra Energy, with Vistra Energy as the surviving corporation
Merger Agreement	the Agreement and Plan of Merger, dated as of October 29, 2017, by and between Vistra Energy and Dynergy, as it may be amended or modified from time to time
Merger Date	April 9, 2018, the date Vistra Energy and Dynergy completed the transactions contemplated by the Merger Agreement
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	million British thermal units
Moody's	Moody's Investors Service, Inc. (a credit rating agency)

MW	megawatts
MWh	megawatt-hours
NO_x	nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
NYMEX	the New York Mercantile Exchange, a commodity derivatives exchange
NYISO	New York Independent System Operator
OPEB	postretirement employee benefits other than pensions
Parent	Vistra Energy Corp.
PJM	PJM Interconnection, LLC
Plan of Reorganization	Third Amended Joint Plan of Reorganization filed by the parent company of our predecessor in August 2016 and confirmed by the U.S. Bankruptcy Court for the District of Delaware in August 2016 solely with respect to our predecessor
PrefCo	Vistra Preferred Inc.
PrefCo Preferred Stock Sale	as part of the Spin-Off, the contribution of certain of the assets of our predecessor and its subsidiaries by a subsidiary of TEX Energy LLC to PrefCo in exchange for all of PrefCo's authorized preferred stock, consisting of 70,000 shares, par value \$0.01 per share
PUCT	Public Utility Commission of Texas
REP	retail electric provider
RCT	Railroad Commission of Texas, which among other things, has oversight of lignite mining activity in Texas
RTO	regional transmission organization
S&P	Standard & Poor's Ratings (a credit rating agency)
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SO₂	sulfur dioxide
Tax Matters Agreement	Tax Matters Agreement, dated as of the Effective Date, by and among Energy Future Holdings Corp. (EFH Corp.), Energy Future Intermediate Holding Company LLC, EFIH Finance Inc. and EFH Merger Co. LLC
TCEH	Texas Competitive Electric Holdings Company LLC, a direct, wholly owned subsidiary of Energy Future Competitive Holdings Company LLC, and, prior to the Effective Date, the parent company of our predecessor, depending on context, that were engaged in electricity generation and wholesale and retail energy market activities, and whose major subsidiaries included Luminant and TXU Energy
TCEQ	Texas Commission on Environmental Quality
TRA	Tax Receivable Agreement, containing certain rights (TRA Rights) to receive payments from Vistra Energy related to certain tax benefits, including those it realized as a result of certain transactions entered into at Emergence (see Note 8 to the Financial Statements)
TWh	terawatt-hours
TXU Energy	TXU Energy Retail Company LLC, an indirect, wholly owned subsidiary of Vistra Energy that is a REP in competitive areas of ERCOT and is engaged in the retail sale of electricity to residential and business customers
U.S.	United States of America
Value Based Brands	Value Based Brands LLC (d/b/a 4Change Energy and Express Energy), an indirect, wholly owned subsidiary of Vistra Energy that is a REP in competitive areas of ERCOT and is engaged in the retail sale of electricity to residential and business customers
Vistra Energy	Vistra Energy Corp. and/or its subsidiaries, depending on context
Vistra Operations	Vistra Operations Company LLC, an indirect, wholly owned subsidiary of Vistra Energy that is the issuer of certain series of notes (see Note 11 to the Financial Statements) and borrower under the Vistra Operations Credit Facilities
Vistra Operations Credit Facilities	Vistra Operations Company LLC's \$8.473 billion senior secured financing facilities (see Note 11 to the Financial Statements).

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

VISTRA ENERGY CORP.
CONDENSED STATEMENTS OF CONSOLIDATED INCOME (LOSS)
(Unaudited) (Millions of Dollars, Except Per Share Amounts)

	Three Months Ended March 31,	
	2019	2018
Operating revenues (Note 5)	\$ 2,923	\$ 765
Fuel, purchased power costs and delivery fees	(1,461)	(650)
Operating costs	(385)	(194)
Depreciation and amortization	(405)	(153)
Selling, general and administrative expenses	(182)	(162)
Operating income (loss)	490	(394)
Other income (Note 19)	25	10
Other deductions (Note 19)	(2)	(2)
Interest expense and related charges (Note 19)	(222)	9
Impacts of Tax Receivable Agreement (Note 8)	3	(18)
Equity in earnings of unconsolidated investment	7	—
Income (loss) before income taxes	301	(395)
Income tax (expense) benefit (Note 7)	(77)	89
Net income (loss)	\$ 224	\$ (306)
Less: Net loss attributable to noncontrolling interest	1	—
Net income (loss) attributable to Vistra Energy	\$ 225	\$ (306)
Weighted average shares of common stock outstanding:		
Basic	502,367,299	428,450,384
Diluted	509,139,988	428,450,384
Net income (loss) per weighted average share of common stock outstanding:		
Basic	\$ 0.45	\$ (0.71)
Diluted	\$ 0.44	\$ (0.71)

See Notes to the Condensed Consolidated Financial Statements.

CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(Unaudited) (Millions of Dollars)

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ 224	\$ (306)
Other comprehensive income, net of tax effects:		
Effects related to pension and other retirement benefit obligations (net of tax benefit of \$— in all periods)	1	1
Total other comprehensive income	1	1
Comprehensive income (loss)	\$ 225	\$ (305)
Less: Comprehensive loss attributable to noncontrolling interest	1	—
Comprehensive income (loss) attributable to Vistra Energy	\$ 226	\$ (305)

See Notes to the Condensed Consolidated Financial Statements.

VISTRA ENERGY CORP.
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited) (Millions of Dollars)

	Three Months Ended March 31,	
	2019	2018
Cash flows — operating activities:		
Net income (loss)	\$ 224	\$ (306)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	461	180
Deferred income tax (benefit) expense, net	70	(83)
Unrealized net (gain) loss from mark-to-market valuations of commodities	(186)	415
Unrealized net (gain) loss from mark-to-market valuations of interest rate swaps	80	(59)
Asset retirement obligation accretion expense	14	19
Impacts of Tax Receivable Agreement (Note 8)	(3)	18
Stock-based compensation	12	6
Other, net	(32)	7
Changes in operating assets and liabilities:		
Margin deposits, net	34	(64)
Accrued interest	15	(11)
Accrued taxes	(75)	(69)
Accrued employee incentive	(90)	(50)
Other operating assets and liabilities	(136)	(25)
Cash provided by (used in) operating activities	388	(22)
Cash flows — financing activities:		
Issuances of long-term debt (Note 11)	1,300	—
Repayments/repurchases of debt (Note 11)	(1,282)	(10)
Net borrowings under accounts receivable securitization program (Note 10)	11	—
Stock repurchase (Note 14)	(248)	—
Dividends paid to stockholders (Note 14)	(61)	—
Debt tender offer and other financing fees (Note 11)	(64)	—
Other, net	—	1
Cash used in financing activities	(344)	(9)
Cash flows — investing activities:		
Capital expenditures, including LTSA prepayments	(118)	(39)
Nuclear fuel purchases	(13)	(11)
Development and growth expenditures	(22)	(21)
Proceeds from sales of nuclear decommissioning trust fund securities (Note 19)	78	46
Investments in nuclear decommissioning trust fund securities (Note 19)	(83)	(51)
Other, net	9	(1)
Cash used in investing activities	(149)	(77)
Net change in cash, cash equivalents and restricted cash	(105)	(108)
Cash, cash equivalents and restricted cash — beginning balance	693	2,046
Cash, cash equivalents and restricted cash — ending balance	\$ 588	\$ 1,938

See Notes to the Condensed Consolidated Financial Statements.

VISTRA ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (Millions of Dollars)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 546	\$ 636
Restricted cash (Note 19)	42	57
Trade accounts receivable — net (Note 19)	1,000	1,087
Inventories (Note 19)	433	412
Commodity and other derivative contractual assets (Note 16)	702	730
Margin deposits related to commodity contracts	331	361
Prepaid expense and other current assets	270	152
Total current assets	3,324	3,435
Investments (Note 19)	1,369	1,250
Investment in unconsolidated subsidiary (Note 19)	133	131
Property, plant and equipment — net (Note 19)	14,448	14,612
Operating lease right-of-use assets (Note 12)	68	—
Goodwill (Note 6)	2,082	2,068
Identifiable intangible assets — net (Note 6)	2,400	2,493
Commodity and other derivative contractual assets (Note 16)	97	109
Accumulated deferred income taxes	1,291	1,336
Other noncurrent assets	356	590
Total assets	\$ 25,568	\$ 26,024
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts receivable securitization program (Note 10)	\$ 350	\$ 339
Long-term debt due currently (Note 11)	204	191
Trade accounts payable	787	945
Commodity and other derivative contractual liabilities (Note 16)	1,215	1,376
Margin deposits related to commodity contracts	8	4
Accrued income taxes	37	10
Accrued taxes other than income	78	182
Accrued interest	91	77
Asset retirement obligations (Note 19)	194	156
Operating lease liabilities (Note 12)	16	—
Other current liabilities	258	345
Total current liabilities	3,238	3,625
Long-term debt, less amounts due currently (Note 11)	10,803	10,874
Operating lease liabilities (Note 12)	90	—
Commodity and other derivative contractual liabilities (Note 16)	313	270
Accumulated deferred income taxes	10	10
Tax Receivable Agreement obligation (Note 8)	417	420
Asset retirement obligations (Note 19)	2,176	2,217
Identifiable intangible liabilities — net (Note 6)	360	401
Other noncurrent liabilities and deferred credits (Note 19)	355	340
Total liabilities	17,762	18,157

VISTRA ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (Millions of Dollars)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Commitments and Contingencies (Note 13)		
Total equity (Note 14):		
Common stock (par value — \$0.01; number of shares authorized — 1,800,000,000) (shares outstanding: March 31, 2019 — 484,235,663; December 31, 2018 — 493,215,309)	5	5
Additional paid-in-capital	9,105	9,329
Retained deficit	(1,285)	(1,449)
Accumulated other comprehensive income (loss)	(21)	(22)
Stockholders' equity	<u>7,804</u>	<u>7,863</u>
Noncontrolling interest in subsidiary	2	4
Total equity	<u>7,806</u>	<u>7,867</u>
Total liabilities and equity	<u>\$ 25,568</u>	<u>\$ 26,024</u>

See Notes to the Condensed Consolidated Financial Statements.

VISTRA ENERGY CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

References in this report to "we," "our," "us" and "the Company" are to Vistra Energy and/or its subsidiaries, as apparent in the context. See *Glossary* for defined terms.

Vistra Energy is a holding company operating an integrated retail and generation business in markets throughout the U.S. Through our subsidiaries, we are engaged in competitive electricity market activities including power generation, wholesale energy sales and purchases, commodity risk management and retail sales of electricity to end users.

Vistra Energy has six reportable segments: (i) Retail, (ii) ERCOT, (iii) PJM, (iv) NY/NE (comprising NYISO and ISO-NE), (v) MISO and (vi) Asset Closure. See Note 18 for further information concerning reportable business segments.

Merger Transaction

On the Merger Date, Vistra Energy and Dynegy completed the transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, Dynegy merged with and into Vistra Energy, with Vistra Energy continuing as the surviving corporation. Because the Merger closed on April 9, 2018, Vistra Energy's condensed consolidated financial statements and the notes related thereto do not include the financial condition or the operating results of Dynegy prior to April 9, 2018. See Note 2 for a summary of the Merger transaction and business combination accounting.

Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and on the same basis as the audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2018. Adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations and financial position have been included therein. All intercompany items and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to the rules and regulations of the SEC. Because the condensed consolidated interim financial statements do not include all of the information and footnotes required by U.S. GAAP, they should be read in conjunction with the audited financial statements and related notes contained in our annual report on Form 10-K for the year ended December 31, 2018. The results of operations for an interim period may not give a true indication of results for a full year. All dollar amounts in the financial statements and tables in the notes are stated in millions of U.S. dollars unless otherwise indicated.

Use of Estimates

Preparation of financial statements requires estimates and assumptions about future events that affect the reporting of assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense, including fair value measurements, estimates of expected obligations, judgment related to the potential timing of events and other estimates. In the event estimates and/or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

Leases

At the inception of a contract we determine if it is or contains a lease, which involves the contract conveying the right to control the use of explicitly or implicitly identified property, plant, or equipment for a period of time in exchange for consideration.

Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date of the underlying lease based on the present value of lease payments over the lease term. We use our secured incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. Operating leases are included in operating lease ROU assets, operating lease liabilities (current) and operating lease liabilities (noncurrent) on our condensed consolidated balance sheet. Finance leases are included in property, plant and equipment, other current liabilities and other noncurrent liabilities and deferred credits on our condensed consolidated balance sheet. Lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise the option. We have elected the practical expedient which permits us to not reassess under the new standard our prior conclusion about lease classification and initial direct costs. We have also elected the practical expedient to not separate lease and non-lease components for a majority of the lease asset classes. We have also elected the hindsight practical expedient to determine the lease term.

Leases with an initial lease term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

We also present lessor sublease income on a net basis against the related lessee lease expense.

Adoption of New Accounting Standards

Leases — On January 1, 2019, we adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and all related amendments (new lease standard) using the modified retrospective method with the cumulative-effect adjustment to the opening balance of retained earnings for all contracts outstanding at the time of adoption. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new lease standard to be immaterial to our net income on an ongoing basis. The impact of adopting the new lease standard primarily relates to recognition of lease liabilities and ROU assets for all leases classified as operating leases. Under the new lease standard, each ROU asset will be amortized over the lease term and liability settled at the end of the lease term.

We recognized the effect of initially applying the new lease standard by recording ROU assets of \$85 million and lease liabilities of \$123 million in our condensed consolidated balance sheet. The amount we recorded at adoption was less than the estimated range we had disclosed in our annual report on Form 10-K for the year ended December 31, 2018. At the time of preparing that estimated range, we had tentatively determined that we had the right to control the use of several natural gas pipeline laterals that connect to our power plants, resulting in these transportation agreements having a lease component. In connection with adoption, we determined that we did not control the use of the laterals, and therefore concluded the agreements did not contain a lease component.

As of January 1, 2019, the cumulative effect of the changes made to our condensed consolidated balance sheet for the adoption of the new lease standard was as follows:

	December 31, 2018	Adoption of New Lease Standard	January 1, 2019
Impact on condensed consolidated balance sheet:			
Assets			
Property, plant and equipment — net	\$ 14,612	\$ 15	\$ 14,627
Operating lease right-of-use assets	—	70	70
Prepaid expense and other current assets	152	(2)	150
Accumulated deferred income taxes	\$ 1,336	1	1,337
Liabilities			
Other current liabilities	345	(1)	344
Operating lease liabilities	—	109	109
Identifiable intangible liabilities	401	(36)	365
Other noncurrent liabilities and deferred credits	340	14	354
Equity			
Retained deficit	(1,449)	(2)	(1,451)

See Note 12 for the disclosures required by the new lease standard.

Changes in Accounting Standards

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU will be effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The ASU removes disclosure requirements for (a) the reasons for transfers between Level 1 and Level 2, (b) the policy for timing of transfers between levels and (c) the valuation processes for Level 3. The ASU will require new disclosures around (a) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. We are currently evaluating the impact of this ASU on our disclosures.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The ASU will be effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The ASU requires a customer in a cloud hosting arrangement that is a service contract to determine which implementation costs to capitalize and which costs to expense based on the project stage of the implementation. The ASU also requires the customer to expense the capitalized implementation costs over the term of the hosting arrangement. The customer is required to apply the existing impairment and abandonment guidance on the capitalized implementation costs. We are currently evaluating the impact of this ASU on our financial statements.

2. MERGER TRANSACTION AND BUSINESS COMBINATION ACCOUNTING

Merger Transaction

On the Merger Date, Vistra Energy and Dynege completed the transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, Dynege merged with and into Vistra Energy, with Vistra Energy continuing as the surviving corporation. The Merger was intended to qualify as a tax-free reorganization under the Internal Revenue Code, as amended, so that none of Vistra Energy, Dynege or any of the Dynege stockholders would recognize any gain or loss in the transaction, except that Dynege stockholders could recognize a gain or loss with respect to cash received in lieu of fractional shares of Vistra Energy's common stock. Vistra Energy is the acquirer for both federal tax and accounting purposes.

At the closing of the Merger, each issued and outstanding share of Dynege common stock, par value \$0.01 per share, other than shares owned by Vistra Energy or its subsidiaries, held in treasury by Dynege or held by a subsidiary of Dynege, was automatically converted into 0.652 shares of common stock, par value \$0.01 per share, of Vistra Energy (the Exchange Ratio), except that cash was paid in lieu of fractional shares, which resulted in Vistra Energy issuing 94,409,573 shares of Vistra Energy common stock to the former Dynege stockholders, as well as converting stock options, equity-based awards, tangible equity units and warrants. The total number of Vistra Energy shares outstanding at the close of the Merger was 522,932,453 shares. Dynege stock options and equity-based awards outstanding immediately prior to the Merger Date were generally automatically converted upon completion of the Merger into stock options and equity-based awards, respectively, with respect to Vistra Energy's common stock, after giving effect to the Exchange Ratio.

Business Combination Accounting

We believe the Merger has provided and continues to provide significant strategic benefits and opportunities to Vistra Energy, including increased scale and market diversification, rebalanced asset portfolio and improved earnings and cash flow. The Merger is being accounted for in accordance with ASC 805, *Business Combinations* (ASC 805), with identifiable assets acquired and liabilities assumed recorded at their estimated fair values on the Merger Date. The combined results of operations are reported in our consolidated financial statements beginning as of the Merger Date. A summary of the techniques used to estimate the fair value of the identifiable assets and liabilities, as well as their classification within the fair value hierarchy (see Note 15), is listed below:

- Working capital was valued using available market information (Level 2).
- Acquired property, plant and equipment was valued using a combination of an income approach and a market approach. The income approach utilized a discounted cash flow analysis based upon a debt-free, free cash flow model (Level 3).
- Acquired derivatives were valued using the methods described in Note 15 (Level 1, Level 2 or Level 3).
- Contracts with terms that were not at current market prices were also valued using a discounted cash flow analysis (Level 3). The cash flows generated by the contracts were compared with their cash flows based on current market prices with the resulting difference discounted to present value and recorded as either an intangible asset or liability.

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- Long-term debt was valued using a market approach (Level 2).
- AROs were recorded in accordance with ASC 410, *Asset Retirement and Environmental Obligations* (Level 3).

The following table summarizes the consideration paid and the final allocation of the purchase price to the fair value amounts recognized for the assets acquired and liabilities assumed related to the Merger as of the Merger Date. Based on the opening price of Vistra Energy common stock on the Merger Date, the purchase price was approximately \$2.3 billion. During the three months ended March 31, 2019, the purchase price allocation was completed. During the period from April 9, 2018 through March 31, 2019, we updated the initial purchase price allocation with final valuations by increasing property, plant and equipment by \$173 million, decreasing intangible assets by \$36 million, increasing goodwill by \$175 million, decreasing accounts receivable, inventory, prepaid expenses and other current assets by \$10 million, increasing accumulated deferred tax asset by \$127 million, decreasing other noncurrent assets by \$113 million, increasing trade accounts payable and other current liabilities by \$89 million, increasing other noncurrent liabilities by \$177 million, increasing asset retirement obligations, including amounts due currently, by \$56 million, as well as other minor adjustments. The valuation revisions were a result of updated inputs used in determining the fair value of the acquired assets and liabilities.

Dynegy shares outstanding as of April 9, 2018 (in millions)		144.8
Exchange Ratio		0.652
Vistra Energy shares issued for Dynegy shares outstanding (in millions)		94.4
Opening price of Vistra Energy common stock on April 9, 2018	\$	19.87
Purchase price for common stock	\$	1,876
Fair value of equity component of tangible equity units	\$	369
Fair value of outstanding stock compensation awards attributable to pre-combination service	\$	26
Fair value of outstanding warrants	\$	2
Total purchase price	\$	2,273

Final Purchase Price Allocation

Cash and cash equivalents	\$	445
Trade accounts receivables, inventories, prepaid expenses and other current assets		853
Property, plant and equipment		10,535
Accumulated deferred income taxes		518
Identifiable intangible assets		351
Goodwill		175
Other noncurrent assets		419
Total assets acquired		13,296
Trade accounts payable and other current liabilities		733
Commodity and other derivative contractual assets and liabilities, net		422
Asset retirement obligations, including amounts due currently		475
Long-term debt, including amounts due currently		8,919
Other noncurrent liabilities		469
Total liabilities assumed		11,018
Identifiable net assets acquired		2,278
Noncontrolling interest in subsidiary		5
Total purchase price	\$	2,273

Acquisition costs incurred in the Merger totaled less than \$1 million and \$3 million for the three months ended March 31, 2019 and 2018, respectively.

Unaudited Pro Forma Financial Information — The following unaudited pro forma financial information for the three months ended March 31, 2018 assumes that the Merger occurred on January 1, 2018. The unaudited pro forma financial information is provided for information purposes only and is not necessarily indicative of the results of operations that would have occurred had the Merger been completed on January 1, 2018, nor is the unaudited pro forma financial information indicative of future results of operations, which may differ materially from the pro forma financial information presented here.

	Three Months Ended March 31, 2018
Revenues	\$ 2,127
Net loss	\$ (467)
Net loss attributable to Vistra Energy	\$ (465)
Net loss attributable to Vistra Energy per weighted average share of common stock outstanding — basic	\$ (0.87)
Net loss attributable to Vistra Energy per weighted average share of common stock outstanding — diluted	\$ (0.87)

The unaudited pro forma financial information presented above includes adjustments for incremental depreciation and amortization as a result of the fair value determination of the net assets acquired, interest expense on debt assumed in the Merger, effects of the Merger on tax expense (benefit), changes in the expected impacts of the tax receivable agreement due to the Merger, and other related adjustments.

3. ACQUISITION AND DEVELOPMENT OF GENERATION FACILITIES

Battery Energy Storage Projects

We have completed the construction of our first battery energy storage system (ESS). In October 2018, we were awarded a \$1 million grant from the TCEQ for our battery ESS at our Upton 2 solar facility. The grant is part of the Texas Emissions Reduction Plan. The 10 MW lithium-ion ESS captures excess solar energy produced during the day and releases the energy in late afternoon and early evening, when demand is highest. The Upton 2 battery ESS became operational in December 2018.

In June 2018, we announced that, subject to approval by the California Public Utilities Commission (CPUC), we would enter into a 20 -year resource adequacy contract with Pacific Gas and Electric Company (PG&E) to develop a 300 MW battery energy storage project at our Moss Landing Power Plant site in California. PG&E filed its application with the CPUC in June 2018 and the CPUC approved the resource adequacy contract in November 2018. This approval is now final and unappealable. We anticipate the Moss Landing battery storage project will commence commercial operations by the fourth quarter of 2020.

Upton 2 Solar Development

In May 2017, we acquired the rights to develop, construct and operate a utility scale solar photovoltaic power generation facility in Upton County, Texas (Upton 2). As part of this project, we entered a turnkey engineering, procurement and construction agreement to construct the approximately 180 MW facility. During 2017 and 2018, we spent approximately \$231 million related to this project primarily for progress payments under the engineering, procurement and construction agreement and the acquisition of the development rights. The facility began test operations in March 2018 and commercial operations began in June 2018.

4. RETIREMENT OF GENERATION FACILITIES

In August 2018, we filed a notice of suspension of operation with PJM and other mandatory regulatory notifications related to the retirement of our 51 MW Northeastern waste coal facility in McAddo, Pennsylvania (Northeastern Facility). We decided to retire the Northeastern Facility due to its uneconomic operations and financial outlook. Following the receipt of regulatory approvals, the Northeastern Facility was retired in October 2018. The decision to retire the Northeastern Facility did not result in a material impact to the financial statements, and the operational results of the Northeastern Facility are included in our Asset Closure segment.

Two of our non-operated, jointly held power plants acquired in the Merger, for which our proportional generation capacity was 883 MW, were retired in May 2018. These units were retired as previously scheduled. No gain or loss was recorded in conjunction with the retirement of these units, and the operational results of these facilities are included in our Asset Closure segment. The following table details the units retired.

Name	Location	Fuel Type	Net Generation Capacity (MW)	Ownership Interest	Date Units Taken Offline
Killen	Manchester, Ohio	Coal	204	33%	May 31, 2018
Stuart	Aberdeen, Ohio	Coal	679	39%	May 24, 2018
Total			883		

In January and February 2018, we retired three power plants with a total installed nameplate generation capacity of 4,167 MW. We decided to retire these units because they were projected to be uneconomic based on then current market conditions and would have faced significant environmental costs associated with operating such units. In the case of the Sandow units, the decision also reflected the execution of a contract termination agreement pursuant to which the Company and Alcoa agreed to an early settlement of a long-standing power and mining agreement. Expected retirement expenses were accrued in the third and fourth quarter of 2017 and, as a result, no retirement expenses were recorded related to these facilities in the three months ended March 31, 2018. The operational results of these facilities are included in our Asset Closure segment. The following table details the units retired.

Name	Location (all in the state of Texas)	Fuel Type	Installed Nameplate Generation Capacity (MW)	Number of Units	Date Units Taken Offline
Monticello	Titus County	Lignite/Coal	1,880	3	January 4, 2018
Sandow	Milam County	Lignite	1,137	2	January 11, 2018
Big Brown	Freestone County	Lignite/Coal	1,150	2	February 12, 2018
Total			4,167	7	

5. REVENUE

The following tables disaggregate our revenue by major source:

	Three Months Ended March 31, 2019						Consolidated
	Retail	ERCOT	PJM	NY/NE	MISO	CAISO/Eliminations	
Revenue from contracts with customers:							
Retail energy charge in ERCOT	\$ 1,025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,025
Retail energy charge in Northeast/Midwest	348	—	—	—	—	—	348
Wholesale generation revenue from ISO/RTO	—	247	221	195	139	73	875
Capacity revenue	—	—	67	80	13	—	160
Revenue from other wholesale contracts	—	44	72	7	16	3	142
Total revenue from contracts with customers	1,373	291	360	282	168	76	2,550
Other revenues:							
Intangible amortization	(9)	—	—	(2)	(5)	1	(15)
Hedging and other revenues (a)	22	158	91	49	27	41	388
Affiliate sales	—	505	254	15	64	(838)	—
Total other revenues	13	663	345	62	86	(796)	373
Total revenues	\$ 1,386	\$ 954	\$ 705	\$ 344	\$ 254	\$ (720)	\$ 2,923

(a) Includes \$158 million of unrealized net gains from mark-to-market valuations of commodity positions. See Note 18 for unrealized net gains (losses) by segment.

	Three Months Ended March 31, 2018				
	Retail	ERCOT	Asset Closure	Eliminations	Consolidated
Revenue from contracts with customers:					
Retail energy charge in ERCOT	\$ 949	\$ —	\$ —	\$ —	\$ 949
Wholesale generation revenue from ISO/RTO	—	174	36	—	210
Revenue from other wholesale contracts	—	53	—	—	53
Total revenue from contracts with customers	949	227	36	—	1,212
Other revenues:					
Intangible amortization	(12)	—	—	—	(12)
Hedging and other revenues (a)	35	(462)	(8)	—	(435)
Affiliate sales	—	(298)	—	298	—
Total other revenues	23	(760)	(8)	298	(447)
Total revenues	\$ 972	\$ (533)	\$ 28	\$ 298	\$ 765

(a) Includes \$415 million of unrealized net losses from mark-to-market valuations of commodity positions. See Note 18 for unrealized net gains (losses) by segment.

Performance Obligations

As of March 31, 2019, we have future performance obligations that are unsatisfied, or partially unsatisfied, relating to capacity auction volumes awarded through capacity auctions held by the ISO or RTO or through bilateral sales. Therefore, an obligation exists as of the date of the results of the respective ISO or RTO capacity auction or the contract execution date for bilateral customers. The transaction price is also set by the results of the capacity auction and/or executed contract. These obligations total \$674 million, \$748 million, \$720 million, \$423 million and \$96 million that will be recognized in the balance of the year ended December 31, 2019 and the years ending December 31, 2020, 2021, 2022 and 2023, respectively, and \$65 million thereafter. Capacity revenues are recognized as capacity services are provided to the related ISOs or RTOs or bilateral counterparties.

Accounts Receivable

The following table presents trade accounts receivable (net of allowance for uncollectible accounts) relating to both contracts with customers and other activities:

	March 31, 2019	December 31, 2018
Trade accounts receivable from contracts with customers — net	\$ 878	\$ 951
Other trade accounts receivable — net	122	136
Total trade accounts receivable — net	<u>\$ 1,000</u>	<u>\$ 1,087</u>

6. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS AND LIABILITIES

Goodwill

The carrying value of goodwill totaled \$2.082 billion and \$2.068 billion at March 31, 2019 and December 31, 2018, respectively. Of the total goodwill at March 31, 2019, \$175 million arose in connection with the Merger and \$122 million is recorded in our ERCOT Generation and Wholesale reporting unit and \$53 million is recorded in our ERCOT Retail reporting unit. The remaining \$1.907 billion arose in connection with our application of fresh start reporting at Emergence and was allocated entirely to our ERCOT Retail reporting unit. Of the goodwill recorded at Emergence, \$1.686 billion is deductible for tax purposes over 15 years on a straight-line basis.

Identifiable Intangible Assets and Liabilities

Identifiable intangible assets are comprised of the following:

Identifiable Intangible Asset	March 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Retail customer relationship	\$ 1,680	\$ 931	\$ 749	\$ 1,680	\$ 876	\$ 804
Software and other technology-related assets	277	119	158	270	105	165
Retail and wholesale contracts	316	155	161	316	138	178
Contractual service agreements (a)	60	—	60	70	—	70
Other identifiable intangible assets (b)	70	47	23	42	15	27
Total identifiable intangible assets subject to amortization	<u>\$ 2,403</u>	<u>\$ 1,252</u>	1,151	<u>\$ 2,378</u>	<u>\$ 1,134</u>	1,244
Retail trade names (not subject to amortization)			1,245			1,245
Mineral interests (not currently subject to amortization)			4			4
Total identifiable intangible assets			<u>\$ 2,400</u>			<u>\$ 2,493</u>

(a) At March 31, 2019, amounts related to contractual service agreements that have become liabilities due to amortization of the economic impacts of the intangibles have been removed from both the gross carrying amount and accumulated amortization.

(b) Includes mining development costs and environmental allowances and credits.

Identifiable intangible liabilities are comprised of the following:

Identifiable Intangible Liability	March 31, 2019	December 31, 2018
Contractual service agreements	\$ 108	\$ 136
Purchase and sale contracts	189	195
Environmental allowances	63	70
Total identifiable intangible liabilities	<u>\$ 360</u>	<u>\$ 401</u>

Amortization expense related to finite-lived identifiable intangible assets and liabilities (including the classification in the condensed statements of consolidated income (loss)) consisted of:

Identifiable Intangible Assets and Liabilities	Condensed Statements of Consolidated Income (Loss) Line	Three Months Ended March 31,	
		2019	2018
Retail customer relationship	Depreciation and amortization	\$ 55	\$ 73
Software and other technology-related assets	Depreciation and amortization	13	10
Retail and wholesale contracts/purchase and sale contracts	Operating revenues/fuel, purchased power costs and delivery fees	12	12
Other identifiable intangible assets	Operating revenues/fuel, purchased power costs and delivery fees/depreciation and amortization	27	2
Total amortization expense (a)		\$ 107	\$ 97

(a) Amounts recorded in depreciation and amortization totaled \$69 million and \$85 million for the three months ended March 31, 2019 and 2018, respectively. Excludes contractual services agreements.

Estimated Amortization of Identifiable Intangible Assets and Liabilities

As of March 31, 2019, the estimated aggregate amortization expense of identifiable intangible assets and liabilities for each of the next five fiscal years is as shown below.

Year	Estimated Amortization Expense
2019	\$ 302
2020	\$ 206
2021	\$ 156
2022	\$ 96
2023	\$ 72

7. INCOME TAXES

Income Tax Expense

The calculation of our effective tax rate is as follows:

	Three Months Ended March 31,	
	2019	2018
Income (loss) before income taxes	\$ 301	\$ (395)
Income tax (expense) benefit	\$ (77)	\$ 89
Effective tax rate	25.6%	22.5%

For the three months ended March 31, 2019, the effective tax rate of 25.6% related to our income tax expense was higher than the U.S. federal statutory rate of 21% due primarily to nondeductible impacts of the TRA and state income taxes. For the three months ended March 31, 2018, the effective tax rate of 22.5% related to our income tax benefit was higher than the U.S. federal statutory rate of 21% due primarily to nondeductible TRA accretion and the Texas margin tax.

Liability for Uncertain Tax Positions

Vistra Energy and its subsidiaries file income tax returns in U.S. federal and state jurisdictions and are expected to be subject to examinations by the IRS and other taxing authorities. Vistra Energy is not currently under audit by the IRS for any period, although review of Dynegy tax years 2017 and 2018 continue to progress through the IRS's Compliance Assurance Process audit program. Uncertain tax positions totaling \$39 million at both March 31, 2019 and December 31, 2018 arose in connection with the Merger.

8. TAX RECEIVABLE AGREEMENT OBLIGATION

On the Effective Date, Vistra Energy entered into a tax receivable agreement (the TRA) with a transfer agent on behalf of certain former first lien creditors of TCEH. The TRA generally provides for the payment by us to holders of TRA Rights of 85% of the amount of cash savings, if any, in U.S. federal and state income tax that we realize in periods after Emergence as a result of (a) certain transactions consummated pursuant to the Plan of Reorganization (including the step-up in tax basis in our assets resulting from the PrefCo Preferred Stock Sale), (b) the tax basis of all assets acquired in connection with the acquisition of two CCGT natural gas-fueled generation facilities in April 2016 and (c) tax benefits related to imputed interest deemed to be paid by us as a result of payments under the TRA, plus interest accruing from the due date of the applicable tax return.

Pursuant to the TRA, we issued the TRA Rights for the benefit of the first lien secured creditors of TCEH entitled to receive such TRA Rights under the Plan of Reorganization. Such TRA Rights are entitled to certain registration rights more fully described in the Registration Rights Agreement (see Note 17).

During the three months ended March 31, 2019, we recorded a decrease to the carrying value of the TRA obligation totaling approximately \$19 million as a result of adjustments to forecasted taxable income and higher net operating losses acquired in the Merger.

The following table summarizes the changes to the TRA obligation, reported as other current liabilities and Tax Receivable Agreement obligation in our condensed consolidated balance sheets, for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
TRA obligation at the beginning of the period	\$ 420	\$ 357
Accretion expense	16	18
Changes in tax assumptions impacting timing of payments	(19)	—
Impacts of Tax Receivable Agreement	(3)	18
TRA obligation at the end of the period	417	375
Less amounts due currently	—	(24)
Noncurrent TRA obligation at the end of the period	<u>\$ 417</u>	<u>\$ 351</u>

As of March 31, 2019, the estimated carrying value of the TRA obligation totaled \$417 million, which represents the discounted amount of projected payments under the TRA. The projected payments are based on certain assumptions, including but not limited to (a) the federal corporate income tax rate of 21%, (b) estimates of our taxable income in the current and future years and (c) additional states that Vistra Energy now operates in, including the relevant tax rate and apportionment factor for each state. Our taxable income takes into consideration the current federal tax code, various relevant state tax laws and reflects our current estimates of future results of the business. These assumptions are subject to change, and those changes could have a material impact on the carrying value of the TRA obligation. As of March 31, 2019, the aggregate amount of undiscounted federal and state payments under the TRA is estimated to be approximately \$1.3 billion, with more than half of such amount expected to be attributable to the first 15 tax years following Emergence, and the final payment expected to be made approximately 40 years following Emergence (if the TRA is not terminated earlier pursuant to its terms).

The carrying value of the obligation is being accreted to the amount of the gross expected obligation using the effective interest method. Changes in the amount of this obligation resulting from changes to either the timing or amount of TRA payments are recognized in the period of change and measured using the discount rate inherent in the initial fair value of the obligation.

9. EARNINGS PER SHARE

Basic earnings per share available to common shareholders are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method and includes the effect of all potential issuances of common shares under stock-based incentive compensation arrangements.

	Three Months Ended March 31,	
	2019	2018
Net income (loss) attributable to common stock — basic (a)	\$ 225	\$ (306)
Weighted average shares of common stock outstanding — basic	502,367,299	428,450,384
Net income (loss) per weighted average share of common stock outstanding — basic	\$ 0.45	\$ (0.71)
Dilutive securities: Stock-based incentive compensation plan and tangible equity units	6,772,689	—
Weighted average shares of common stock outstanding — diluted	509,139,988	428,450,384
Net income (loss) per weighted average share of common stock outstanding — diluted	\$ 0.44	\$ (0.71)

(a) The minimum settlement amount of tangible equity units, or 15,128,940 shares, are considered to be outstanding and are included in the computation of basic net income per share (see Note 14).

Stock-based incentive compensation plan awards excluded from the calculation of diluted earnings per share because the effect would have been antidilutive totaled 6,243,220 and 2,863,872 shares for the three months ended March 31, 2019 and 2018 , respectively.

10. ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

TXU Energy Receivables Company LLC (RecCo), an indirect subsidiary of Vistra Energy, has an accounts receivable financing facility (Receivables Facility) provided by issuers of asset-backed commercial paper and commercial banks (Purchasers). The Receivables Facility is currently scheduled to terminate in August 2019, unless termination occurs earlier in accordance with the terms of the Receivables Facility. Vistra Energy intends to pursue renewal and/or extension of the Receivables Facility prior to its scheduled termination, subject to such terms and conditions as may be agreed upon by the parties thereto. At March 31, 2019 , the Receivables Facility provided RecCo with the ability to borrow up to \$350 million . In April 2019, the terms of the Receivable Facility were amended to provide RecCo with the ability to borrow up to \$450 million .

Under the Receivables Facility at March 31, 2019 , TXU Energy was obligated to sell or contribute, on an ongoing basis and without recourse, its accounts receivable to its special purpose subsidiary, RecCo, a consolidated, wholly owned, bankruptcy-remote, direct subsidiary of TXU Energy. In April 2019, the terms of the Receivable Facility were amended to provide that Dynegey Energy Services was also obligated to sell, on an ongoing basis and without recourse, their respective accounts receivable to RecCo. RecCo, in turn, is subject to certain conditions, and may, from time to time, sell an undivided interest in all the receivables acquired from TXU Energy and Dynegey Energy Services to the Purchasers, and its assets and credit are not available to satisfy the debts and obligations of any person, including affiliates of RecCo. Amounts funded by the Purchasers to RecCo are reflected as short-term borrowings on the condensed consolidated balance sheets. Proceeds and repayments under the Receivables Facility are reflected as cash flows from financing activities in our condensed statements of consolidated cash flows. Receivables transferred to the Purchasers remain on Vistra Energy's balance sheet and Vistra Energy reflects a liability equal to the amount advanced by the Purchasers. The Company records interest expense on amounts advanced. TXU Energy continues to service, administer and collect the trade receivables on behalf of RecCo and the Purchasers, as applicable.

As of March 31, 2019 , outstanding borrowings under the receivables facility totaled \$350 million and were supported by \$444 million of RecCo gross receivables. As of December 31, 2018 , outstanding borrowings under the receivables facility totaled \$339 million .

11. LONG-TERM DEBT

Amounts in the table below represent the categories of long-term debt obligations incurred by the Company.

	March 31, 2019	December 31, 2018
Vistra Operations Credit Facilities	\$ 5,798	\$ 5,813
Vistra Operations Senior Notes:		
5.500% Senior Notes, due September 1, 2026	1,000	1,000
5.625% Senior Notes, due February 15, 2027	1,300	—
Total Vistra Operations Senior Notes	2,300	1,000
Vistra Energy Senior Notes:		
7.375% Senior Notes, due November 1, 2022	479	1,707
5.875% Senior Notes, due June 1, 2023	500	500
7.625% Senior Notes, due November 1, 2024	1,147	1,147
8.034% Senior Notes, due February 2, 2024	—	25
8.000% Senior Notes, due January 15, 2025	81	81
8.125% Senior Notes, due January 30, 2026	166	166
Total Vistra Energy Senior Notes	2,373	3,626
Other:		
7.000% Amortizing Notes, due July 1, 2019	16	24
Forward Capacity Agreements	233	236
Equipment Financing Agreements	116	120
Mandatorily redeemable subsidiary preferred stock (a)	70	70
8.82% Building Financing due semiannually through February 11, 2022 (b)	18	21
Total other long-term debt	453	471
Unamortized debt premiums, discounts and issuance costs (c)	83	155
Total long-term debt including amounts due currently	11,007	11,065
Less amounts due currently	(204)	(191)
Total long-term debt less amounts due currently	\$ 10,803	\$ 10,874

(a) Shares of mandatorily redeemable preferred stock in PrefCo. This subsidiary preferred stock is accounted for as a debt instrument under relevant accounting guidance.

(b) Obligation related to a corporate office space finance lease. This obligation will be funded by amounts held in an escrow account that is reflected in other noncurrent assets in our condensed consolidated balance sheets.

(c) Includes impact of recording debt assumed in the Merger at fair value.

Vistra Operations Credit Facilities

At March 31, 2019, the Vistra Operations Credit Facilities consisted of up to \$8.473 billion in senior secured, first lien revolving credit commitments and outstanding term loans, which consisted of revolving credit commitments of up to \$2.675 billion, including a \$2.35 billion letter of credit sub-facility (Revolving Credit Facility) and term loans of \$2.786 billion (Term Loan B-1 Facility), \$977 million (Term Loan B-2 Facility) and \$2.035 billion (Term Loan B-3 Facility, and together with the Term Loan B-1 Facility and the Term Loan B-2 Facility, the Term Loan B Facility).

These amounts reflect an amendment to the Vistra Operations Credit Facilities in March 2019 whereby we obtained \$175 million of incremental Revolving Credit Facility commitments. The letter of credit sub-facility was also increased by \$50 million. Fees and expenses related to the amendment to the Vistra Operations Credit Facilities totaled \$1 million in the three months ended March 31, 2019, which were capitalized as a noncurrent asset.

The Vistra Operations Credit Facilities and related available capacity at March 31, 2019 are presented below.

Vistra Operations Credit Facilities	Maturity Date	March 31, 2019		
		Facility Limit	Cash Borrowings	Available Capacity
Revolving Credit Facility (a)	June 14, 2023	\$ 2,675	\$ —	\$ 1,753
Term Loan B-1 Facility	August 4, 2023	2,786	2,786	—
Term Loan B-2 Facility	December 14, 2023	977	977	—
Term Loan B-3 Facility	December 31, 2025	2,035	2,035	—
Total Vistra Operations Credit Facilities		\$ 8,473	\$ 5,798	\$ 1,753

- (a) Facility to be used for general corporate purposes. Facility includes a \$2.35 billion letter of credit sub-facility, of which \$922 million of letters of credit were outstanding at March 31, 2019 and which reduce our available capacity.

In February 2018 and June 2018, certain pricing terms for the Vistra Operations Credit Facilities were amended. We accounted for these transactions as modifications of debt. At March 31, 2019, cash borrowings under the Revolving Credit Facility would bear interest based on applicable LIBOR rates, plus a fixed spread of 1.75%, and there were no outstanding borrowings. Letters of credit issued under the Revolving Credit Facility bear interest of 1.75%. Amounts borrowed under the Term Loan B-1, B-2 and B-3 Facilities bear interest based on applicable LIBOR rates plus fixed spreads of 2.00%, 2.25% and 2.00%, respectively. At March 31, 2019, the weighted average interest rates before taking into consideration interest rate swaps on outstanding borrowings was 4.50%, 4.75% and 4.49% under the Term Loan B-1, B-2 and B-3 Facilities, respectively. The Vistra Operations Credit Facilities also provide for certain additional fees payable to the agents and lenders, including fronting fees with respect to outstanding letters of credit and availability fees payable with respect to any unused portion of the available Revolving Credit Facility.

Obligations under the Vistra Operations Credit Facilities are secured by a lien covering substantially all of Vistra Operations' (and its subsidiaries') consolidated assets, rights and properties, subject to certain exceptions set forth in the Vistra Operations Credit Facilities, provided that the amount of loans outstanding under the Vistra Operations Credit Facilities that may be secured by a lien covering certain principal properties of the Company is expressly limited by the terms of the Vistra Operations Credit Facilities.

The Vistra Operations Credit Facilities also permit certain hedging agreements to be secured on a pari-passu basis with the Vistra Operations Credit Facilities in the event those hedging agreements met certain criteria set forth in the Vistra Operations Credit Facilities.

The Vistra Operations Credit Facilities provide for affirmative and negative covenants applicable to Vistra Operations (and its restricted subsidiaries), including affirmative covenants requiring it to provide financial and other information to the agents under the Vistra Operations Credit Facilities and to not change its lines of business, and negative covenants restricting Vistra Operations' (and its restricted subsidiaries') ability to incur additional indebtedness, make investments, dispose of assets, pay dividends, grant liens or take certain other actions, in each case, except as permitted in the Vistra Operations Credit Facilities. Vistra Operations' ability to borrow under the Vistra Operations Credit Facilities is subject to the satisfaction of certain customary conditions precedent set forth therein.

The Vistra Operations Credit Facilities provide for certain customary events of default, including events of default resulting from non-payment of principal, interest or fees when due, material breaches of representations and warranties, material breaches of covenants in the Vistra Operations Credit Facilities or ancillary loan documents, cross-defaults under other agreements or instruments and the entry of material judgments against Vistra Operations. Solely with respect to the Revolving Credit Facility, and solely during a compliance period (which, in general, is applicable when the aggregate revolving borrowings and issued revolving letters of credit (in excess of \$300 million) exceed 30% of the revolving commitments), the agreement includes a covenant that requires the consolidated first lien net leverage ratio, which is based on the ratio of net first lien debt compared to an EBITDA calculation defined under the terms of the facilities, not to exceed 4.25 to 1.00. Although the period ended March 31, 2019 was not a compliance period, we would have been in compliance with this financial covenant if it was required to be tested at such date. Upon the existence of an event of default, the Vistra Operations Credit Facilities provide that all principal, interest and other amounts due thereunder will become immediately due and payable, either automatically or at the election of specified lenders.

Interest Rate Swaps — Effective January 2017, we entered into \$3.0 billion notional amount of interest rate swaps to hedge a portion of our exposure to our variable rate debt. The interest rate swaps expire in July 2023. In May 2018 and June 2018, we entered into \$3.0 billion notional amount of interest rate swaps that become effective in July 2023 and expire in July 2026.

In June 2018, we completed the novation of \$1.959 billion notional amount of Vistra Energy (legacy Dynegy) interest rate swaps to Vistra Operations. At March 31, 2019, \$1.561 billion notional amount of these interest rate swaps remained in effect with expiration dates between April 2019 and February 2024.

The interest rate swaps effectively fix the interest rates between 4.09% and 4.34% on \$4.561 billion of our variable rate debt. The interest rate swaps that become effective in July 2023 and expire in July 2026 effectively fix the interest rates between 4.97% and 5.04% on \$3.0 billion of our variable rate debt during the period. The interest rate swaps are secured by a first lien secured interest on a pari-passu basis with the Vistra Operations Credit Facilities.

Alternate Letter of Credit Facilities

Two alternate letter of credit facilities with an aggregate facility limit of \$350 million became effective in the three months ended March 31, 2019. At March 31, 2019, \$325 million of letters of credit were outstanding under these facilities. In April 2019, the aggregate facility limit was increased by \$100 million to \$450 million. Of the total facility limit, \$250 million matures in December 2020 and \$200 million matures in December 2021.

Vistra Energy (legacy Dynegy) Credit Agreement

On the Merger Date, Vistra Energy assumed the obligations under Dynegy's \$3.563 billion credit agreement consisting of a \$2.018 billion senior secured term loan facility due 2024 and a \$1.545 billion senior secured revolving credit facility. As of the Merger Date, there were no cash borrowings and \$656 million of letters of credit outstanding under the senior secured revolving credit facility. On April 23, 2018, \$70 million of the senior secured revolving credit facility matured. In June 2018, the \$2.018 billion senior secured term loan facility due 2024 was repaid using proceeds from the Term Loan B-3 Facility. In addition, all letters of credit outstanding under the senior secured revolving credit facility were replaced with letters of credit under the amended Vistra Operations Credit Facilities discussed above, and the revolving credit facility assumed from Dynegy in connection with the Merger was paid off in full and terminated.

Vistra Operations Senior Notes

In February 2019, Vistra Operations issued and sold \$1.3 billion aggregate principal amount of 5.625% senior unsecured notes due 2027 (5.625% senior notes) in an offering to eligible purchasers under Rule 144A and Regulation S under the Securities Act (the 2019 Notes Offering). The 5.625% senior notes were sold pursuant to a purchase agreement by and among Vistra Operations, certain direct and indirect subsidiaries of Vistra Operations and J.P. Morgan Securities LLC, as representative of the several initial purchasers. Fees and expenses related to the offering totaled \$16 million in the three months ended March 31, 2019, which were capitalized as a reduction in the carrying amount of the debt. Net proceeds from the 2019 Notes Offering totaling approximately \$1.287 billion, together with cash on hand, were used to pay the purchase price and accrued interest (together with fees and expenses) required in connection with (i) the 2019 Tender Offer described below, (ii) the redemption of approximately \$35 million aggregate principal amount of our 7.375% senior unsecured notes due 2022 and (iii) the redemption of approximately \$25 million aggregate principal amount of our outstanding 8.034% senior unsecured notes due 2024. The 5.625% senior notes mature in February 2027, with interest payable in cash semiannually in arrears on February 15 and August 15 beginning August 15, 2019.

In August 2018, Vistra Operations issued \$1.0 billion principal amount of 5.500% senior unsecured notes due 2026 (5.500% senior notes) in an offering to eligible purchasers under Rule 144A and Regulation S under the Securities Act (the 2018 Notes Offering). The 5.500% senior notes were sold pursuant to a purchase agreement by and among Vistra Operations, certain direct and indirect subsidiaries of Vistra Operations and Citigroup Global Markets Inc., as representative of the several initial purchasers. Fees and expenses related to the offering totaled \$12 million in the three months ended September 30, 2018, which were capitalized as a reduction in the carrying amount of the debt. Net proceeds from the 2018 Notes Offering totaling approximately \$990 million, together with cash on hand and cash received from the funding of the Receivables Facility (see Note 10), were used to pay the purchase price and accrued interest (together with fees and expenses) required in connection with the 2018 Tender Offers described below. The 5.500% senior notes mature in September 2026, with interest payable in cash semiannually in arrears on March 1 and September 1 beginning March 1, 2019.

The indentures governing the 5.625% senior notes and the 5.500% senior notes provide for the full and unconditional guarantee by certain direct and indirect subsidiaries of Vistra Operations of the punctual payment of the principal and interest on the notes. The Indenture contains certain covenants and restrictions, including, among others, restrictions on the ability of the Issuer and its subsidiaries, as applicable, to create certain liens, merge or consolidate with another entity, and sell all or substantially all of their assets.

Vistra Energy Senior Notes

Bond Repurchase Program — In November 2018, our board of directors (the Board) authorized a bond repurchase program under which up to \$200 million principal amount of outstanding Vistra Energy senior unsecured notes could be repurchased. Through March 31, 2019, \$119 million principal amount of senior unsecured notes had been repurchased. No repurchases were made in the three months ended March 31, 2019.

2019 Tender Offer and Consent Solicitation — In February 2019, Vistra Energy used the net proceeds from the 2019 Notes Offering to fund a cash tender offer (the 2019 Tender Offer) to purchase for cash \$1.193 billion aggregate principal amount of 7.375% senior unsecured notes due 2022 (7.375% senior notes) assumed in the Merger. We recorded an extinguishment gain of \$7 million on the transactions in the three months ended March 31, 2019.

In connection with the 2019 Tender Offer, Vistra Energy also commenced solicitation of consents from holders of the 7.375% senior notes. Vistra Energy received the requisite consents from the holders of the 7.375% senior notes and amended the indenture governing these senior notes to, among other things, eliminate substantially all of the restrictive covenants and certain events of default.

August 2018 Tender Offers and Consent Solicitations — In August 2018, Vistra Energy used the net proceeds from the 2018 Notes Offering, proceeds from the Receivables Facility (see Note 10) and cash on hand to fund cash tender offers (the 2018 Tender Offers) to purchase for cash \$1.542 billion of senior unsecured notes assumed in the Merger. We recorded an extinguishment loss of \$27 million on the transactions in the three months ended September 30, 2018. Notes purchased consisted of the following:

- \$26 million of 7.625% senior unsecured notes due 2024 (7.625% senior notes);
- \$163 million of 8.034% senior unsecured notes due 2024 (8.034% senior notes);
- \$669 million of 8.000% senior unsecured notes due 2025 (8.000% senior notes), and
- \$684 million of 8.125% senior unsecured notes due 2026 (8.125% senior notes).

In connection with the 2018 Tender Offers, Vistra Energy also commenced solicitations of consents from holders of the 7.375% senior notes, the 7.625% senior notes, the 8.034% senior notes, the 8.000% senior notes and the 8.125% senior notes to amend certain provisions of the applicable indentures governing each series of senior notes and the registration rights agreement with respect to the 8.125% senior notes. Vistra Energy received the requisite consents from the holders of the 8.034% senior notes, the 8.000% senior notes and the 8.125% senior notes (collectively, the Consent Senior Notes) and amended (a) the indentures governing each series of the applicable senior notes to, among other things, eliminate substantially all of the restrictive covenants and certain events of default and (b) the registration rights agreement with respect to the 8.125% senior notes to remove, among other things, the requirement that Vistra Energy commence an exchange offer to issue registered securities in exchange for the existing, nonregistered notes.

Assumption of Senior Notes in Merger — On the Merger Date, Vistra Energy assumed \$6.138 billion principal amount of Dynegy's senior unsecured notes. In May 2018, \$850 million of outstanding 6.75% senior unsecured notes due 2019 were redeemed at a redemption price of 101.688% of the aggregate principal amount, plus accrued and unpaid interest to but not including the date of redemption. Fees and expenses related to the redemption totaled \$14 million in the three months ended June 30, 2018 and were recorded as interest expense and other charges on the condensed statements of consolidated income (loss). In June 2018, each of the Company's subsidiaries that guaranteed the Vistra Operations Credit Facilities (and did not already guarantee the senior notes) provided a guarantee on the senior notes that remained outstanding.

The senior notes that remain outstanding after the closing of the Tender Offers are unsecured and unsubordinated obligations of Vistra Energy and are guaranteed by substantially all of its current and future wholly owned domestic subsidiaries that from time to time are a borrower or guarantor under the agreement governing the Vistra Operations Credit Facilities (Credit Facilities Agreement) (see Note 20). The respective indentures of the senior notes (except with respect to the Consent Senior Notes) limit, among other things, the ability of the Company or any of the guarantors to create liens upon any principal property to secure debt for borrowed money in excess of, among other limitations, 30% of total assets. The respective indentures of the senior notes also contain customary events of default which would permit the holders of the applicable series of senior notes to declare such notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely principal or interest payments on such notes or (except with respect to the Consent Senior Notes) other indebtedness aggregating \$100 million or more, and, except with respect to the Consent Senior Notes, the failure to satisfy covenants, and specified events of bankruptcy and insolvency.

Amortizing Notes

On the Merger Date, Vistra Energy assumed the obligations of Dynegy's senior unsecured amortizing note (Amortizing Notes) maturing on July 1, 2019. The Amortizing Notes were issued in connection with the issuance of the tangible equity units (TEUs) by Dynegy (see Note 14). Each installment payment per Amortizing Note will be paid in cash and will constitute a partial repayment of principal and a payment of interest, computed at an annual rate of 7.00%. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Payments will be applied first to the interest due and payable and then to the reduction of the unpaid principal amount, allocated as set forth in the indenture.

The indenture for the Amortizing Notes limits, among other things, the ability of the Company to consolidate, merge, sell, or dispose all or substantially all of its assets. If a fundamental change occurs, or if the Company elects to settle the prepaid stock purchase contracts early, then the holders of the Amortizing Notes will have the right to require the Company to repurchase the Amortizing Notes at a repurchase price equal to the principal amount of the Amortizing Notes as of the repurchase date (as described in the supplemental indenture) plus accrued and unpaid interest. The indenture also contains customary events of default which would permit the holders of the Amortizing Notes to declare those Amortizing Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely installment payments on the Amortizing Notes or other material indebtedness aggregating \$100 million or more, the failure to satisfy covenants, and specified events of bankruptcy and insolvency.

Forward Capacity Agreements

On the Merger Date, the Company assumed the obligation of Dynegy's agreements under which a portion of the PJM capacity that cleared for Planning Years 2018-2019, 2019-2020 and 2020-2021 was sold to a financial institution (Forward Capacity Agreements). The buyer in this transaction will receive capacity payments from PJM during the Planning Years 2018-2019, 2019-2020 and 2020-2021 in the amounts of \$2 million , \$121 million and \$110 million , respectively. We will continue to be subject to the performance obligations as well as any associated performance penalties and bonus payments for those planning years. As a result, this transaction is accounted for as long-term debt of \$233 million with an implied interest rate of 3.70% .

Equipment Financing Agreements

On the Merger Date, the Company assumed Dynegy's Equipment Financing Agreements. Under certain of our contractual service agreements in which we receive maintenance and capital improvements for our gas-fueled generation fleet, we have obtained parts and equipment intended to increase the output, efficiency and availability of our generation units. We have financed these parts and equipment under agreements with maturities ranging from 2019 to 2026. The portion of future payments attributable to principal will be classified as cash outflows from financing activities, and the portion of future payments attributable to interest will be classified as cash outflows from operating activities in our condensed statements of consolidated cash flows.

Maturities

Long-term debt maturities (including mandatory amortization of the Term Loan B Facility) at March 31, 2019 are as follows:

	March 31, 2019
Remainder of 2019	\$ 156
2020	205
2021	129
2022	554
2023	4,151
Thereafter	5,729
Unamortized premiums, discounts and debt issuance costs	83
Total long-term debt, including amounts due currently	<u>\$ 11,007</u>

12. Leases

Vistra has operating leases for real estate, rail cars, rental tanks and equipment. Our leases have remaining lease terms for 1 to 38 years . Our leases include options to renew up to 14 years . Certain leases also contain options to terminate the lease.

Lease Cost

The following table presents costs related to lease activities:

	Three Months Ended March 31, 2019
Operating lease cost	\$ 4
Finance lease right-of-use asset amortization	1
Variable lease cost (a)	6
Short-term lease cost	5
Sublease income (b)	(2)
Net lease cost	<u>\$ 14</u>

(a) Represents coal stockpile management services, common area maintenance services and rail car payments based on the number of rail cars used.

(b) Represents sublease income related to real estate leases.

Balance Sheet Information

The following table presents lease related balance sheet information:

	March 31, 2019
Lease assets	
Operating lease right-of-use assets	\$ 68
Finance lease right-of-use assets (net of accumulated depreciation)	14
Total lease right-of-use assets	82
Current lease liabilities	
Operating lease liabilities	16
Finance lease liabilities	2
Total current lease liabilities	18
Noncurrent lease liabilities	
Operating lease liabilities	90
Finance lease liabilities	12
Total noncurrent lease liabilities	102
Total lease liabilities	\$ 120

Cash Flow and Other Information

The following table presents lease related cash flow and other information:

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 3
Non-cash disclosure upon commencement of new lease	
Right-of-use assets obtained in exchange for new operating lease liabilities	70
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 15

Weighted Average Remaining Lease Term

The following table presents weighted average remaining lease term information:

	March 31, 2019
Weighted average remaining lease term	
Operating lease	12 years
Finance lease	8 years
Weighted average discount rate	
Operating lease	7.12%
Finance lease	6.36%

Maturity of Lease Liabilities

The following table presents maturity of lease liabilities:

	Operating lease	Finance lease	Total lease
Remainder of 2019	\$ 16	\$ 2	\$ 18
2020	20	3	23
2021	16	3	19
2022	14	2	16
2023	13	2	15
Thereafter	85	7	92
Total lease payments	164	19	183
Less: Interest	(58)	(5)	(63)
Present value of lease liabilities	\$ 106	\$ 14	\$ 120

As of March 31, 2019, we have no material operating or finance leases that have not yet commenced.

13. COMMITMENTS AND CONTINGENCIES**Guarantees**

We have entered into contracts, including the assumed Dynege senior unsecured notes described above, that contain guarantees to unaffiliated parties that could require performance or payment under certain conditions. As of March 31, 2019, there are no material outstanding claims related to our guarantee obligations, and we do not anticipate we will be required to make any material payments under these guarantees.

Letters of Credit

At March 31, 2019, we had outstanding letters of credit totaling \$1.247 billion as follows:

- \$1.080 billion to support commodity risk management collateral requirements in the normal course of business, including over-the-counter and exchange-traded transactions and collateral postings with ISOs or RTOs;
- \$46 million to support executory contracts and insurance agreements;
- \$55 million to support our REP financial requirements with the PUCT, and
- \$66 million for other credit support requirements.

Surety Bonds

At March 31, 2019, we had outstanding surety bonds totaling \$27 million to support performance under various contracts and legal obligations in the normal course of business.

Litigation

Gas Index Pricing Litigation — We, through our subsidiaries, and other energy companies are named as defendants in several lawsuits claiming damages resulting from alleged price manipulation through false reporting of natural gas prices to various index publications, wash trading and churn trading from 2000-2002. The cases allege that the defendants engaged in an antitrust conspiracy to inflate natural gas prices in three states (Kansas, Missouri and Wisconsin) during the relevant time period and seek damages under the respective state antitrust statutes. Four of the cases are putative class actions and one case, *Reorganized FLLI (nka J.P. Morgan Trust Co., National Assn.) v. Oneok Inc., et al.*, is an individual action on behalf of Farmland Industries, Inc. (Farmland), with Farmland seeking full consideration damages (i.e., the full amount it paid for natural gas purchases during the relevant timeframe). The cases are consolidated in a multi-district litigation proceeding pending in the U.S. District Court for Nevada. In March 2017, the court denied the class plaintiffs' motions to certify class actions in each of the states, which decision was taken on an interlocutory appeal to U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit Court). In August 2018, the Ninth Circuit Court vacated the district court orders denying class certification and remanded the cases to the district court for further consideration of the class certification issue. In September 2018, the defendants filed a joint motion for entry of an order denying class certification, and the plaintiffs filed a motion for remand of the cases to the transferor courts to decide class certification issues. In January 2019, the judge issued an order remanding the consolidated cases in the multi-district proceedings back to their respective courts of origin. Along with the other defendants, we had previously reached settlement terms in the Kansas and Missouri cases, and plaintiffs in those cases filed a Notice of Settlement with the judge in the multi-district court proceeding. As for the Farmland matter, in March 2018, the Ninth Circuit Court reversed a summary judgment in favor of the defendants and it shortly will be remanded back to the court of origin for further discovery and other pretrial proceedings. While we cannot predict the outcome of these legal proceedings, or estimate a range of costs, they could have a material impact on our results of operations, liquidity or financial condition.

Advatech Dispute — In September 2016, Illinois Power Generating Company (Genco), terminated its Second Amended and Restated Newton Flue Gas Desulfurization System Engineering, Procurement, Construction and Commissioning Services Contract dated as of December 15, 2014 with Advatech, LLC (Advatech). Advatech issued Genco its final invoice in September 2016 totaling \$81 million. Genco contested the invoice in October 2016 and believes the proper amount is less than \$1 million. In October 2016, Advatech initiated the dispute resolution process under the contract and filed for arbitration in March 2017. Settlement discussions required under the dispute resolution process were unsuccessful. The arbitration hearing occurred in October 2018, and the arbitration panel issued an interim award in March 2019, including pre-award and post-award interest totaling approximately \$42 million, of which \$40 million was recorded as a liability as part of our purchase price allocation of the Merger and \$2 million was recorded as interest expense in our condensed statements of consolidated income (loss). Advatech has submitted its request for its fees and expenses in the amount of approximately \$4 million, and Genco will submit a response in opposition before the arbitration panel issues its final award. We cannot predict the outcome or range of costs that may be included in the final award, and we are evaluating all legal options.

Wood River Rail Dispute — In November 2017, Dynegy Midwest Generation, LLC (DMG) received notification that BNSF Railway Company and Norfolk Southern Railway Company were initiating dispute resolution related to DMG's suspension of its Wood River Rail Transportation Agreement with the railroads. Settlement discussions required under the dispute resolution process have been unsuccessful. In March 2018, BNSF Railway Company and Norfolk Southern Railway Company filed a demand for arbitration. The arbitration hearing on the merits is scheduled for February 2020. We dispute the railroads' allegations and will defend our position vigorously. While we cannot predict the outcome of this legal proceeding, or estimate a range of costs, it could have a material impact on our results of operations, liquidity or financial condition.

Greenhouse Gas Emissions

In August 2015, the EPA finalized rules to address greenhouse gas emissions (GHG) from new, modified and reconstructed and existing electricity generation units, referred to as the Clean Power Plan, including rules for existing facilities that would establish state-specific emissions rate goals to reduce nationwide CO₂ emissions. Various parties (including Luminant) filed petitions for review in the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court) and subsequently, in January 2016, a coalition of states, industry (including Luminant) and other parties filed applications with the U.S. Supreme Court (Supreme Court) asking that the Supreme Court stay the rule while the D.C. Circuit Court reviews the legality of the rule for existing plants. In February 2016, the Supreme Court stayed the rule pending the conclusion of legal challenges on the rule before the D.C. Circuit Court and until the Supreme Court disposes of any subsequent petition for review. Oral argument on the merits of the legal challenges to the rule was heard in September 2016 before the entire D.C. Circuit Court, but the D.C. Circuit Court has not issued a decision and the case remains in abeyance due to the EPA's decision to review the Clean Power Plan.

In October 2017, the EPA issued a proposed rule that would repeal the Clean Power Plan, with the proposed repeal focusing on what the EPA believes to be the unlawful nature of the Clean Power Plan and asking for public comment on the EPA's interpretations of its authority under the Clean Air Act (CAA). In December 2017, the EPA published an advance notice of proposed rulemaking (ANPR) soliciting information from the public as the EPA considers proposing a future rule. Vistra Energy submitted comments on the ANPR in February 2018. Vistra Energy submitted comments on the proposed repeal in April 2018. In August 2018, the EPA published a proposed replacement rule called the Affordable Clean Energy rule. We submitted comments on the proposed Affordable Clean Energy rule in October 2018. In December 2018, the EPA issued proposed revisions to the emission standards for new, modified and reconstructed units. Vistra has submitted comments on that proposed rulemaking. While we cannot predict the outcome of these rulemakings and related legal proceedings, or estimate a range of reasonably probable costs, if the rules are ultimately implemented or upheld as they were issued, they could have a material impact on our results of operations, liquidity or financial condition.

Regional Haze — Reasonable Progress and Best Available Retrofit Technology (BART) for Texas

In January 2016, the EPA issued a final rule approving in part and disapproving in part Texas's 2009 State Implementation Plan (SIP) as it relates to the reasonable progress component of the Regional Haze program and issuing a Federal Implementation Plan (FIP). The EPA's emission limits in the FIP assume additional control equipment for specific lignite/coal-fueled generation units across Texas, including new flue gas desulfurization systems (scrubbers) at seven electricity generation units (including Big Brown Units 1 and 2, Monticello Units 1 and 2 and Coletto Creek) and upgrades to existing scrubbers at seven generation units (including Martin Lake Units 1, 2 and 3, Monticello Unit 3 and Sandow Unit 4).

In March 2016, Luminant and a number of other parties, including the State of Texas, filed petitions for review in the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit Court) challenging the FIP's Texas requirements. In July 2016, the Fifth Circuit Court granted motions to stay the rule filed by Luminant and the other parties pending final review of the petitions for review. In December 2016, the EPA filed a motion seeking a voluntary remand of the rule back to the EPA for further consideration of Luminant's pending request for administrative reconsideration. In March 2017, the Fifth Circuit Court remanded the rule back to the EPA for reconsideration. The stay of the rule (and the emission control requirements) remains in effect, and the EPA is required to file status reports of its reconsideration every 60 days. The retirements of our Monticello, Big Brown and Sandow 4 plants should have a favorable impact on this rulemaking and litigation. While we cannot predict the outcome of the rulemaking and legal proceedings, or estimate a range of reasonably possible costs, the result could have a material impact on our results of operations, liquidity or financial condition.

In September 2017, the EPA signed a final rule addressing BART for Texas electricity generation units, with the rule serving as a partial approval of Texas's 2009 SIP and a partial FIP. For SO₂, the rule creates an intrastate Texas emission allowance trading program as a "BART alternative" that operates in a similar fashion to a CSAPR trading program. The program includes 39 generating units (including our Martin Lake, Big Brown, Monticello, Sandow 4, Coletto Creek, Stryker 2 and Graham 2 plants). The compliance obligations in the program started on January 1, 2019, and the identified units receive an annual allowance allocation that is equal to their most recent annual CSAPR SO₂ allocation. Cumulatively, our units covered by the program are allocated 100,279 allowances annually. Under the rule, a unit that is listed that does not operate for two consecutive years starting after 2018 would no longer receive allowances after the fifth year of non-operation. We believe the retirements of our Monticello, Big Brown and Sandow 4 plants will enhance our ability to comply with this BART rule for SO₂. For NO_x, the rule adopts the CSAPR's ozone program as BART and for particulate matter, the rule approves Texas's SIP that determines that no electricity generation units are subject to BART for particulate matter. The National Parks Conservation Association, the Sierra Club and the Environmental Defense Fund filed a petition challenging the rule in the Fifth Circuit Court as well as a petition for reconsideration filed with the EPA. Luminant intervened on behalf of the EPA in the Fifth Circuit Court action. In March 2018, the Fifth Circuit Court granted a joint motion filed by the EPA and the environmental groups involved to abate the Fifth Circuit Court proceedings until the EPA has taken action on the reconsideration petition and concludes the reconsideration process. In August 2018, the EPA issued a proposed rule affirming the prior BART final rule and seeking comments on that proposal, which were due in October 2018. While we cannot predict the outcome of the rulemaking and legal proceedings, we believe the rule, if ultimately implemented or upheld as issued, will not have a material impact on our results of operations, liquidity or financial condition.

Affirmative Defenses During Malfunctions

In February 2013, the EPA proposed a rule requiring certain states to remove SIP exemptions for excess emissions during malfunctions or replace them with an affirmative defense. In May 2015, the EPA finalized its 2013 proposal to extend the EPA's proposed findings of inadequacy to states that have affirmative defense provisions, including Texas. The final rule impacted 36 states, including Texas, Illinois and Ohio, in which we operate. The EPA's final rule would require covered states to remove or replace either EPA-approved exemptions or affirmative defense provisions for excess emissions during startup, shutdown and maintenance events. Several states (including the State of Texas and the State of Ohio) and various industry parties (including Luminant) filed petitions for review of the EPA's final rule, and all of those petitions were consolidated in the D.C. Circuit Court. Before the oral argument was held, in April 2017, the D.C. Circuit Court granted the EPA's motion to continue oral argument and ordered that the case be held in abeyance with the EPA to provide status reports to the D.C. Circuit Court on the EPA's review of the action at 90-day intervals. In October 2018, the EPA partially granted Texas' petition for reconsideration of the Texas SIP call. We cannot predict the timing or outcome of this proceeding, or estimate a range of reasonably possible costs, but implementation of the rule as finalized could have a material impact on our results of operations, liquidity or financial condition.

Illinois Multi-Pollutant Standards (MPS)

In 2007, our MISO coal-fueled generation facilities became subject to the Illinois multi-pollutant standard rule (MPS rule), which requires compliance with NO_x, SO₂ and mercury emissions limits. We are in compliance with the MPS rule. In October 2017, the Illinois Environmental Protection Agency (IEPA) filed a proposed rule with the Illinois Pollution Control Board (IPCB) that would amend the MPS rule by replacing the two separate group-wide annual emission rate limits that currently apply to our eight downstate Illinois coal-fueled stations with tonnage limits for both SO₂ (annual) and NO_x (annual and seasonal) that apply to the eight stations as a single group. In March 2019, we were asked to agree to even further reduced emission caps and in order to move the rule forward, committed to 2,000 MW of coal plant retirements following finalization of the rule. Under the current version of the proposal, allowable annual emissions of SO₂ would be 37% lower than the current rule. All other federal and state air quality regulations, including health-based standards, would remain unchanged and in place. The proposed rule also would impose new requirements to ensure the continuous operation of existing selective catalytic reduction (SCR) control systems during the ozone season, require SCR-controlled units to meet an ozone season NO_x emission rate limit, and set an additional, site-specific annual SO₂ limit for our Joppa Power Station. We are supportive of the proposed rule as it would provide operational flexibility to our MISO fleet while also providing a number of regulatory and environmental benefits. We expect the rule to be finalized in 2019.

SO₂ Designations for Texas

In November 2016, the EPA finalized its nonattainment designations for counties surrounding our Big Brown, Monticello and Martin Lake generation plants. The final designations require Texas to develop nonattainment plans for these areas. In February 2017, the State of Texas and Luminant filed challenges to the nonattainment designations in the Fifth Circuit Court. Subsequently, in October 2017, the Fifth Circuit Court granted the EPA's motion to hold the case in abeyance considering the EPA's representation that it intended to revisit the nonattainment rule. In December 2017, the TCEQ submitted a petition for reconsideration to the EPA. In addition, with respect to Monticello and Big Brown, the retirement of those plants should favorably impact our legal challenge to the nonattainment designations in that the nonattainment designations for Freestone County and Titus County are based solely on the Sierra Club modeling, which we dispute, of SO₂ emissions from Monticello and Big Brown. Regardless, considering these retirements, the nonattainment designations for those counties are no longer supported. While we cannot predict the outcome of this matter, or estimate a range of reasonably possible costs, the result could have a material impact on our results of operations, liquidity or financial condition.

Effluent Limitation Guidelines (ELGs)

In November 2015, the EPA revised the ELGs for steam electricity generation facilities, which will impose more stringent standards (as individual permits are renewed) for wastewater streams, flue desulfurization, fly ash, bottom ash and flue gas mercury control. Various parties filed petitions for review of the ELG rule, and the petitions were consolidated in the Fifth Circuit Court. In April 2017, the EPA granted petitions requesting reconsideration of the ELG final rule issued in 2015 and administratively stayed the ELG rule's compliance date deadlines pending ongoing judicial review of the rule. In April 2019, the Fifth Circuit Court vacated and remanded portions of the EPA's ELG rule for steam electric power generators pertaining to best available technology for legacy wastewater and leachate. The legal challenges pertaining to bottom ash transport water, flue gas desulfurization wastewater and gasification wastewater have been suspended while the EPA reconsiders the rules.

The EPA issued a final rule in September 2017 postponing the earliest compliance dates in the ELG rule for bottom ash transport water and flue-gas desulfurization wastewater by two years, from November 1, 2018 to November 1, 2020.

Given the EPA's decision to reconsider the bottom ash transport water and flue gas desulfurization wastewater provisions of the ELG rule, the rule postponing the ELG rule's earliest compliance dates for those provisions, and the intertwined relationship of the ELG rule with the Coal Combustion Residuals rule discussed below, which is also being reconsidered by the EPA, as well as pending legal challenges concerning both rules, substantial uncertainty exists regarding our projected capital expenditures for ELG compliance, including the timing of such expenditures. While we cannot predict the outcome of this matter, or estimate a range of costs, it could have a material impact on our results of operations, liquidity or financial condition.

New Source Review and CAA Matters

New Source Review — Since 1999, the EPA has engaged in a nationwide enforcement initiative to determine whether coal-fueled power plants failed to comply with the requirements of the New Source Review (NSR) and New Source Performance Standard provisions under the CAA when the plants implemented changes. The EPA's NSR initiative focuses on whether projects performed at power plants triggered various permitting requirements, including the need to install pollution control equipment.

In August 2013, the U.S. Department of Justice (DOJ), acting as the attorneys for the EPA, filed a civil enforcement lawsuit against Luminant in federal district court in Dallas, alleging violations of the CAA, including its NSR standards, at our Big Brown and Martin Lake generation facilities. The lawsuit requests (i) the maximum civil penalties available under the CAA to the government of up to \$32,500 to \$37,500 per day for each alleged violation, depending on the date of the alleged violation, and (ii) injunctive relief, including an order to apply for pre-construction permits which may require the installation of best available control technology at the affected units. In August 2015, the district court granted Luminant's motion to dismiss seven of the nine claims asserted by the EPA in the lawsuit.

In January 2017, the EPA dismissed its two remaining claims with prejudice and the district court entered final judgment in Luminant's favor. In March 2017, the EPA and the Sierra Club appealed the final judgment to the Fifth Circuit Court. After the parties filed their respective briefs in the Fifth Circuit Court, the appeal was argued before the Fifth Circuit Court in March 2018. In October 2018, the Fifth Circuit Court affirmed in part, reversed in part, and remanded to the district court. The Fifth Circuit Court's decision held that the district court properly dismissed all of the civil penalties as time-barred. The Fifth Circuit Court further held that the grounds cited by the district court did not support dismissal of the injunctive relief claims at this early stage of the case and remanded the case back to the district court for further consideration. In November 2018, we filed a petition for rehearing en banc on two issues and the EPA has filed a response to that petition. We believe that we have complied with all requirements of the CAA and intend to continue to vigorously defend against the remaining allegations. An adverse outcome could require substantial capital expenditures that cannot be determined at this time or retirement of the remaining plant at issue, Martin Lake. The retirement of the Big Brown plant should have a favorable impact on this litigation. We cannot predict the outcome of these proceedings, including the financial effects, if any.

Zimmer NOV's — In December 2014, the EPA issued a notice of violation (NOV) alleging violation of opacity standards at the Zimmer facility. The EPA previously had issued NOV's to Zimmer in 2008 and 2010 alleging violations of the CAA, the Ohio State Implementation Plan and the station's air permits including standards applicable to opacity, sulfur dioxide, sulfuric acid mist and heat input. The NOV's remain unresolved. We are unable to predict the outcome of these matters.

Edwards CAA Citizen Suit — In April 2013, environmental groups filed a CAA citizen suit in the U.S. District Court for the Central District of Illinois alleging violations of opacity and particulate matter limits at our MISO segment's Edwards facility. In August 2016, the district court granted the plaintiffs' motion for summary judgment on certain liability issues. We filed a motion seeking interlocutory appeal of the court's summary judgment ruling. In February 2017, the appellate court denied our motion for interlocutory appeal. The parties completed briefing on motions for summary judgment on remedy issues in October 2018. In January 2019, the court canceled the bench trial scheduled for March 2019 and denied the parties' motions for summary judgment on remedy issues. A bench trial on the remedy issues is scheduled for the end of September 2019. We dispute the allegations and will defend the case vigorously. We are unable to predict the outcome of these matters.

Ultimate resolution of any of these CAA matters could have a material adverse impact on our future financial condition, results of operations, and cash flows. A resolution could result in increased capital expenditures for the installation of pollution control equipment, increased operations and maintenance expenses, and penalties, or could result in an order or a decision to retire these plants. While we cannot predict the outcome of these legal proceedings, or estimate a range of costs, they could have a material impact on our results of operations, liquidity or financial condition.

Coal Combustion Residuals/Groundwater

In July 2018, the EPA published a final rule that amends certain provisions of the Coal Combustion Residuals (CCR) rule that the agency issued in 2015. The 2018 revisions extend closure deadlines to October 31, 2020, related to the aquifer location restriction and groundwater monitoring requirements. The 2018 revisions also (1) establish groundwater protection standards for cobalt, lithium, molybdenum and lead (2) allow authorized state programs to waive groundwater monitoring requirements when there is a demonstration of no potential for contaminant migration, and (3) allow the permitting authority to issue certifications in lieu of a qualified professional engineer. The 2018 revisions became effective in August 2018, and we are continuing to evaluate the impact on our CCR facilities. Also, on August 21, 2018, the D.C. Circuit Court issued a decision that vacates and remands certain provisions of the 2015 CCR rule, including an applicability exemption for legacy impoundments. The EPA is expected to undertake further revisions to its CCR regulations in response to the D.C. Circuit Court's ruling. In October 2018, the rule that extends certain closure deadlines to 2020 was challenged in the D.C. Circuit Court. In December 2018, the EPA and petitioners filed cross-motions, with the EPA seeking remand without vacatur and petitioners seeking a partial stay or vacatur of the rule. We have intervened in the litigation and filed a motion in support of the EPA. The D.C. Circuit Court granted the EPA's request for remand without vacatur. While we cannot predict the impacts of these rule revisions (including whether and if so how the states in which we operate will utilize the authority delegated to the states through the revisions), or estimate a range of reasonably possible costs related to these revisions, the changes that result from these revisions could have a material impact on our results of operations, liquidity or financial condition.

MISO Segment — In 2012, the Illinois Environmental Protection Agency (IEPA) issued violation notices alleging violations of groundwater standards onsite at our Baldwin and Vermilion facilities' CCR surface impoundments. In 2016, the IEPA approved our closure and post-closure care plans for the Baldwin old east, east, and west fly ash CCR surface impoundments. We are working towards implementation of those closure plans.

At our retired Vermilion facility, which was not subject to the EPA's 2015 CCR rule until the aforementioned D.C. Circuit court decision in August 2018, we submitted proposed corrective action plans involving closure of two CCR surface impoundments (*i.e.*, the old east and the north impoundments) to the IEPA in 2012, with revised plans submitted in 2014. In May 2017, in response to a request from the IEPA for additional information regarding the closure of these Vermilion surface impoundments, we agreed to perform additional groundwater sampling and closure options and riverbank stabilizing options. By letter dated January 31, 2018, Prairie Rivers Network (PRN) provided 60-day notice of its intent to sue our subsidiary Dynegy Midwest Generation, LLC (DMG) under the federal Clean Water Act for alleged unauthorized discharges from the surface impoundments at our Vermilion facility and alleged related violations of the facility's National Pollutant Discharge Elimination System permit. Prairie Rivers Network filed a citizen suit in May 2018, alleging violations of the Clean Water Act for alleged unauthorized discharges. In August 2018, we filed a motion to dismiss the lawsuit. In November 2018, the district court granted our motion to dismiss and judgment was entered in our favor. Plaintiffs have appealed the judgment to the U.S. Court of Appeals for the Seventh Circuit. That appeal is now stayed. In April 2019, PRN also filed a complaint against DMG before the IPCB, alleging that groundwater flows allegedly associated with the ash impoundments at the Vermilion site have resulted in exceedances both of surface water standards and Illinois groundwater standards dating back to 1992. This matter is in very early stages and we dispute the allegations in the complaint. We dispute the allegations in both of these matters and will vigorously defend our position.

In 2012, the IEPA issued violation notices alleging violations of groundwater standards at the Newton and Coffeen facilities' CCR surface impoundments. We are addressing these CCR surface impoundments in accordance with the federal CCR rule. In June 2018, the IEPA issued a violation notice for alleged seep discharges claimed to be coming from the surface impoundments at our retired Vermilion facility and that notice has since been referred to the Illinois Attorney General.

In December 2018, the Sierra Club filed a complaint with the IPCB alleging the disposal and storage of coal ash at the Coffeen, Edwards and Joppa generation facilities are causing exceedances of the applicable groundwater standards. We dispute the allegations and will vigorously defend our position.

If remediation measures concerning groundwater are necessary at any of our coal-fueled facilities, we may incur significant costs that could have a material adverse effect on our financial condition, results of operations, and cash flows. At this time, in part because of the revisions to the CCR rule that the EPA published in July 2018 and the D.C. Circuit Court's vacatur and remand of certain provisions of the EPA's 2015 CCR rule, we cannot reasonably estimate the costs, or range of costs, of groundwater remediation, if any, that ultimately may be required. CCR surface impoundment and landfill closure costs, as determined by our operations and environmental services teams, are reflected in our AROs.

MISO 2015-2016 Planning Resource Auction

In May 2015, three complaints were filed at FERC regarding the Zone 4 results for the 2015-2016 Planning Resource Auction (PRA) conducted by MISO. Dynegy is a named party in one of the complaints. The complainants, Public Citizen, Inc., the Illinois Attorney General and Southwestern Electric Cooperative, Inc., have challenged the results of the PRA as unjust and unreasonable, requested rate relief/refunds, and requested changes to the MISO PRA structure going forward. Complainants have also alleged that Dynegy could have engaged in economic or physical withholding in Zone 4 constituting market manipulation in the 2015-2016 PRA. The Independent Market Monitor for MISO (MISO IMM), which was responsible for monitoring the MISO 2015-2016 PRA, determined that all offers were competitive and that no physical or economic withholding occurred. The MISO IMM also stated, in a filing responding to the complaints, that there is no basis for the proposed remedies. We filed our Answer to these complaints and believe that we complied fully with the terms of the MISO tariff in connection with the 2015-2016 PRA, disputed the allegations, and will defend our actions vigorously. In addition, the Illinois Industrial Energy Consumers filed a complaint at FERC against MISO on June 30, 2015 requesting prospective changes to the MISO tariff. Dynegy also responded to this complaint.

On October 1, 2015, FERC issued an order of non-public, formal investigation, stating that shortly after the conclusion of the 2015-2016 PRA, FERC's Office of Enforcement began a non-public informal investigation into whether market manipulation or other potential violations of FERC orders, rules, and regulations occurred before or during the PRA (the Order). The Order noted that the investigation is ongoing, and that the conversion of the informal, non-public investigation to a formal, non-public investigation does not indicate that FERC has determined that any entity has engaged in market manipulation or otherwise violated any FERC order, rule, or regulation. Vistra Energy is participating in the investigation on behalf of Dynegy following the closing of the Merger. We believe that our conduct was proper and will defend our position vigorously, but we cannot predict the outcome of the investigation or the amount, if any, of loss that may result. While we cannot predict the outcome of this matter, or estimate a range of costs, it could have a material impact on our results of operations, liquidity or financial condition.

On December 31, 2015, FERC issued an order on the complaints requiring a number of prospective changes to the MISO tariff provisions associated with calculating Initial Reference Levels and Local Clearing Requirements, effective as of the 2016-2017 PRA. The order did not address the arguments of the complainants regarding the 2015-2016 PRA, and stated that those issues remain under consideration and will be addressed in a future order.

Other Matters

We are involved in various legal and administrative proceedings in the normal course of business, the ultimate resolutions of which, in the opinion of management, are not anticipated to have a material effect on our results of operations, liquidity or financial condition.

14. EQUITY

Share Repurchase Program

In November 2018, we announced that the Board had authorized an incremental share repurchase program (Program) under which up to \$1.250 billion of our outstanding stock may be purchased. In the three months ended March 31, 2019, 9,541,617 shares of our common stock were repurchased for \$236 million (including related fees and expenses) at an average price of \$24.78 per share of common stock. On a cumulative basis, 21,614,708 shares of our common stock have been repurchased under the Program for \$514 million (including related fees and expenses) at an average price of \$23.78 per share of common stock. At March 31, 2019, \$736 million was available for additional repurchases under the Program, and we intend to implement the Program opportunistically from time to time in 2019 and 2020.

Shares of the Company's common stock may be repurchased in open market transactions at prevailing market prices, in privately negotiated transactions, pursuant to plans complying with the Exchange Act, or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the Program will be determined at our discretion and will depend on a number of factors, including the market price of our stock, general market and economic conditions, applicable legal requirements and compliance with the terms of our debt agreements and the Tax Matters Agreement.

Dividends

In November 2018, Vistra Energy announced the Board had adopted a dividend program pursuant to which Vistra Energy would initiate an annual dividend of approximately \$0.50 per share expected to begin in the first quarter of 2019. Each dividend under the program will be subject to the declaration by the Board and, thus, may be subject to numerous factors in existence at the time of any such declaration including, but not limited to, prevailing market conditions, Vistra Energy's results of operations, financial condition and liquidity and Delaware law.

In February 2019, the Board declared a quarterly dividend of \$0.125 per share. The dividend was paid on March 29, 2019 to shareholders of record as of March 15, 2019. Vistra Energy did not declare or pay any dividends during the three months ended March 31, 2018 .

Dividend Restrictions

The agreement governing the Credit Facilities Agreement generally restricts the ability of Vistra Operations to make distributions to any direct or indirect parent unless such distributions are expressly permitted thereunder. As of March 31, 2019 , Vistra Operations can distribute approximately \$8.0 billion to Parent under the Credit Facilities Agreement without the consent of any party. The amount that can be distributed by Vistra Operations to Parent was partially reduced by distributions made by Vistra Operations to Parent during the three months ended March 31, 2019 and the years ended December 31, 2018 and 2017 of approximately \$1.55 billion , \$4.7 billion and \$1.1 billion , respectively. Additionally, Vistra Operations may make distributions to Parent in amounts sufficient for Parent to make any payments required under the TRA or the Tax Matters Agreement or, to the extent arising out of Parent's ownership or operation of Vistra Operations, to pay any taxes or general operating or corporate overhead expenses. As of March 31, 2019 , the maximum amount of restricted net assets of Vistra Operations that may not be distributed to Parent totaled approximately \$1.4 billion .

Under applicable Delaware General Corporate Law, we are prohibited from paying any distribution to the extent that such distribution exceeds the value of our "surplus," which is defined as the excess of our net assets above our capital (the aggregate par value of all outstanding shares of our stock).

Warrants

At the Merger Date, the Company entered into an agreement whereby holders of each outstanding warrant previously issued by Dynegy will be entitled to receive, upon exercise, the equity securities to which the holder would have been entitled to receive of Dynegy common stock converted into shares of Vistra Energy common stock at the Exchange Ratio. As of March 31, 2019 , nine million warrants expiring in 2024 with an exercise price of \$35.00 (subject to adjustment from time to time) were outstanding, each of which can be redeemed for 0.652 share of Vistra Energy common stock. The warrants are recorded as equity in our condensed consolidated balance sheet.

Tangible Equity Units

At the Merger Date, the Company assumed the obligations of Dynegy's 4,600,000 7.00% tangible equity units, each with a stated amount of \$100.00 and each comprised of (i) a prepaid stock purchase contract that will deliver to the holder, not later than July 1, 2019, unless earlier redeemed or settled, not more than 4.0616 shares of Vistra Energy common stock and not less than 3.2889 shares of Vistra Energy common stock per contract based upon the applicable fixed settlement rate in the contract (in each case, subject to adjustment from time to time) and (ii) a senior amortizing note with an outstanding principal amount of \$38 million at the Merger Date that pays an equal quarterly cash installment of \$1.75 per amortizing note (see Note 11). In the aggregate, the annual quarterly cash installments will be equivalent to a 7.00% cash payment per year with respect to each \$100.00 stated amount of tangible equity units. The amortizing notes are accounted for as debt while the stock purchase contract is included in equity based on the fair value of the contract at the Merger Date (see Note 11).

Equity

The following table presents the changes to equity for the three months ended March 31, 2019 :

	Common Stock (a)	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2018	\$ 5	\$ 9,329	\$ (1,449)	\$ (22)	\$ 7,863	\$ 4	\$ 7,867
Treasury stock	—	(236)	—	—	(236)	—	(236)
Dividends declared on common stock	—	—	(61)	—	(61)	—	(61)
Effects of stock-based incentive compensation plans	—	12	—	—	12	—	12
Net income (loss)	—	—	225	—	225	(1)	224
Adoption of accounting standard (Note 1)	—	—	(2)	—	(2)	—	(2)
Change in unrecognized losses related to pension and OPEB plans	—	—	—	1	1	—	1
Investment by noncontrolling interest	—	—	—	—	—	—	—
Other	—	—	2	—	2	(1)	1
Balance at March 31, 2019	\$ 5	\$ 9,105	\$ (1,285)	\$ (21)	\$ 7,804	\$ 2	\$ 7,806

(a) Authorized shares totaled 1,800,000,000 at March 31, 2019 . Outstanding shares totaled 484,235,663 and 493,215,309 at March 31, 2019 and December 31, 2018 , respectively.

The following table presents the changes to equity for the three months ended March 31, 2018 :

	Common Stock (a)	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2017	\$ 4	\$ 7,765	\$ (1,410)	\$ (17)	\$ 6,342
Effects of stock-based incentive compensation plans	—	7	—	—	7
Net loss	—	—	(306)	—	(306)
Adoption of accounting standard	—	—	17	—	17
Change in unrecognized losses related to pension and OPEB plans	—	—	—	1	1
Other	—	—	(1)	—	(1)
Balance at March 31, 2018	\$ 4	\$ 7,772	\$ (1,700)	\$ (16)	\$ 6,060

(a) Authorized shares totaled 1,800,000,000 at March 31, 2018 . Outstanding shares totaled 428,506,325 and 428,398,802 at March 31, 2018 and December 31, 2017 , respectively.

15. FAIR VALUE MEASUREMENTS

We utilize several different valuation techniques to measure the fair value of assets and liabilities, relying primarily on the market approach of using prices and other market information for identical and/or comparable assets and liabilities for those items that are measured on a recurring basis. We use a mid-market valuation convention (the mid-point price between bid and ask prices) as a practical expedient to measure fair value for the majority of our assets and liabilities and use valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Our valuation policies and procedures were developed, maintained and validated by a centralized risk management group that reports to the Vistra Energy Chief Financial Officer.

Fair value measurements of derivative assets and liabilities incorporate an adjustment for credit-related nonperformance risk. These nonperformance risk adjustments take into consideration master netting arrangements, credit enhancements and the credit risks associated with our credit standing and the credit standing of our counterparties (see Note 16 for additional information regarding credit risk associated with our derivatives). We utilize credit ratings and default rate factors in calculating these fair value measurement adjustments.

We categorize our assets and liabilities recorded at fair value based upon the following fair value hierarchy:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. Our Level 1 assets and liabilities include CME or ICE (electronic commodity derivative exchanges) futures and options transacted through clearing brokers for which prices are actively quoted. We report the fair value of CME and ICE transactions without taking into consideration margin deposits, with the exception of certain margin amounts related to changes in fair value on certain CME transactions that, beginning in January 2017, are legally characterized as settlement of derivative contracts rather than collateral.
- Level 2 valuations utilize over-the-counter broker quotes, quoted prices for similar assets or liabilities that are corroborated by correlations or other mathematical means, and other valuation inputs such as interest rates and yield curves observable at commonly quoted intervals. We attempt to obtain multiple quotes from brokers that are active in the markets in which we participate and require at least one quote from two brokers to determine a pricing input as observable. The number of broker quotes received for certain pricing inputs varies depending on the depth of the trading market, each individual broker's publication policy, recent trading volume trends and various other factors.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. We use the most meaningful information available from the market combined with internally developed valuation methodologies to develop our best estimate of fair value. Significant unobservable inputs used to develop the valuation models include volatility curves, correlation curves, illiquid pricing delivery periods and locations and credit-related nonperformance risk assumptions. These inputs and valuation models are developed and maintained by employees trained and experienced in market operations and fair value measurements and validated by the Company's risk management group.

With respect to amounts presented in the following fair value hierarchy tables, the fair value measurement of an asset or liability (e.g., a contract) is required to fall in its entirety in one level, based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis consisted of the following at the respective balance sheet dates shown below:

	March 31, 2019				
	Level 1	Level 2	Level 3 (a)	Reclassification (b)	Total
Assets:					
Commodity contracts	\$ 392	\$ 173	\$ 154	\$ 52	\$ 771
Interest rate swaps	—	25	—	3	28
Nuclear decommissioning trust – equity securities (c)	508	—	—	—	508
Nuclear decommissioning trust – debt securities (c)	—	464	—	—	464
Sub-total	<u>\$ 900</u>	<u>\$ 662</u>	<u>\$ 154</u>	<u>\$ 55</u>	<u>1,771</u>
Assets measured at net asset value (d):					
Nuclear decommissioning trust – equity securities (c)					316
Total assets					<u>\$ 2,087</u>
Liabilities:					
Commodity contracts	\$ 518	\$ 626	\$ 267	\$ 52	\$ 1,463
Interest rate swaps	—	62	—	3	65
Total liabilities	<u>\$ 518</u>	<u>\$ 688</u>	<u>\$ 267</u>	<u>\$ 55</u>	<u>\$ 1,528</u>

December 31, 2018

	Level 1	Level 2	Level 3 (a)	Reclassification (b)	Total
Assets:					
Commodity contracts	\$ 456	\$ 152	\$ 153	\$ 1	\$ 762
Interest rate swaps	—	77	—	—	77
Nuclear decommissioning trust – equity securities (c)	449	—	—	—	449
Nuclear decommissioning trust – debt securities (c)	—	443	—	—	443
Sub-total	<u>\$ 905</u>	<u>\$ 672</u>	<u>\$ 153</u>	<u>\$ 1</u>	<u>1,731</u>
Assets measured at net asset value (d):					
Nuclear decommissioning trust – equity securities (c)					278
Total assets					<u>\$ 2,009</u>
Liabilities:					
Commodity contracts	\$ 557	\$ 766	\$ 288	\$ 1	\$ 1,612
Interest rate swaps	—	34	—	—	34
Total liabilities	<u>\$ 557</u>	<u>\$ 800</u>	<u>\$ 288</u>	<u>\$ 1</u>	<u>\$ 1,646</u>

(a) See table below for description of Level 3 assets and liabilities.

(b) Fair values are determined on a contract basis, but certain contracts result in a current asset and a noncurrent liability, or vice versa, as presented in our condensed consolidated balance sheets.

(c) The nuclear decommissioning trust investment is included in the other investments line in our condensed consolidated balance sheets. See Note 19.

(d) The fair value amounts presented in this line are intended to permit reconciliation of the fair value hierarchy to the amounts presented in our condensed consolidated balance sheets. Certain investments measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Commodity contracts consist primarily of natural gas, electricity, fuel oil, uranium, coal and emissions agreements and include financial instruments entered into for economic hedging purposes as well as physical contracts that have not been designated as normal purchases or sales. Interest rate swaps are used to reduce exposure to interest rate changes by converting floating-rate interest to fixed rates. See Note 16 for further discussion regarding derivative instruments.

Nuclear decommissioning trust assets represent securities held for the purpose of funding the future retirement and decommissioning of our nuclear generation facility. These investments include equity, debt and other fixed-income securities consistent with investment rules established by the NRC and the PUCT.

The following tables present the fair value of the Level 3 assets and liabilities by major contract type and the significant unobservable inputs used in the valuations at March 31, 2019 and December 31, 2018 :

March 31, 2019

Contract Type (a)	Fair Value			Valuation Technique	Significant Unobservable Input	Range (b)
	Assets	Liabilities	Total			
Electricity purchases and sales	\$ 28	\$ (51)	\$ (23)	Valuation Model	Hourly price curve shape (c) Illiquid delivery periods for ERCOT hub power prices and heat rates (d)	\$0 to \$120/ MWh \$20 to \$120/ MWh
Electricity and weather options	29	(178)	(149)	Option Pricing Model	Gas to power correlation (e) Power volatility (e)	10% to 100% 5% to 435%
Financial transmission rights	87	(13)	74	Market Approach (f)	Illiquid price differences between settlement points (g)	\$ (10) to \$50/ MWh
Other (h)	10	(25)	(15)			
Total	<u>\$ 154</u>	<u>\$ (267)</u>	<u>\$ (113)</u>			

December 31, 2018

Contract Type (a)	Fair Value			Valuation Technique	Significant Unobservable Input	Range (b)
	Assets	Liabilities	Total			
Electricity purchases and sales	\$ 22	\$ (48)	\$ (26)	Valuation Model	Hourly price curve shape (c) Illiquid delivery periods for ERCOT hub power prices and heat rates (d)	\$0 to \$110/ MWh \$20 to \$120/ MWh
Electricity and weather options	31	(192)	(161)	Option Pricing Model	Gas to power correlation (e) Power volatility (e)	15% to 95% 5% to 435%
Financial transmission rights	85	(20)	65	Market Approach (f)	Illiquid price differences between settlement points (g)	\$ (10) to \$50/ MWh
Other (h)	15	(28)	(13)			
Total	<u>\$ 153</u>	<u>\$ (288)</u>	<u>\$ (135)</u>			

(a) Electricity purchase and sales contracts include power and heat rate positions in ERCOT, PJM, NYISO, ISO-NE and MISO regions. The forward purchase contracts (swaps and options) used to hedge electricity price differences between settlement points within are referred to as congestion revenue rights in ERCOT and financial transmission rights in PJM, NYISO, ISO-NE and MISO regions. Electricity options consist of physical electricity options and spread options.

(b) The range of the inputs may be influenced by factors such as time of day, delivery period, season and location.

(c) Primarily based on the historical range of forward average hourly ERCOT North Hub prices.

(d) Primarily based on historical forward ERCOT power price and heat rate variability.

(e) Based on historical forward correlation and volatility within ERCOT.

(f) While we use the market approach, there is insufficient market data to consider the valuation liquid.

(g) Primarily based on the historical price differences between settlement points within ERCOT hubs and load zones.

(h) Other includes contracts for natural gas and coal.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the three months ended March 31, 2019 and 2018 . See the table below for discussion of transfers between Level 2 and Level 3 for the three months ended March 31, 2019 and 2018 .

The following table presents the changes in fair value of the Level 3 assets and liabilities for the three months ended March 31, 2019 and 2018 .

	Three Months Ended March 31,	
	2019	2018
Net liability balance at beginning of period	\$ (135)	\$ (53)
Total unrealized valuation gains (losses)	37	(213)
Purchases, issuances and settlements (a):		
Purchases	19	29
Issuances	(7)	(4)
Settlements	(22)	17
Transfers into Level 3 (b)	3	—
Transfers out of Level 3 (b)	(8)	—
Net change (c)	22	(171)
Net liability balance at end of period	\$ (113)	\$ (224)
Unrealized valuation gains (losses) relating to instruments held at end of period	\$ 25	\$ (206)

- (a) Settlements reflect reversals of unrealized mark-to-market valuations previously recognized in net income. Purchases and issuances reflect option premiums paid or received.
- (b) Includes transfers due to changes in the observability of significant inputs. All Level 3 transfers during the periods presented are in and out of Level 2. For three months ended March 31, 2019 , transfers out of Level 3 primarily consists of coal derivatives where forward pricing inputs have become observable.
- (c) Activity excludes change in fair value in the month positions settle. Substantially all changes in values of commodity contracts (excluding the net liabilities assumed in connection with the Merger) are reported as operating revenues in our condensed statements of consolidated income (loss).

16. COMMODITY AND OTHER DERIVATIVE CONTRACTUAL ASSETS AND LIABILITIES

Strategic Use of Derivatives

We transact in derivative instruments, such as options, swaps, futures and forward contracts, to manage commodity price and interest rate risk. See Note 15 for a discussion of the fair value of derivatives.

Commodity Hedging and Trading Activity — We utilize natural gas and electricity derivatives to reduce exposure to changes in electricity prices primarily to hedge future revenues from electricity sales from our generation assets. We also utilize short-term electricity, natural gas, coal, fuel oil, uranium and emissions derivative instruments for fuel hedging and other purposes. Counterparties to these transactions include energy companies, financial institutions, electric utilities, independent power producers, oil and gas producers, local distribution companies and energy marketing companies. Unrealized gains and losses arising from changes in the fair value of derivative instruments as well as realized gains and losses upon settlement of the instruments are reported in our condensed statements of consolidated income (loss) in operating revenues and fuel, purchased power costs and delivery fees.

Interest Rate Swaps — Interest rate swap agreements are used to reduce exposure to interest rate changes by converting floating-rate interest rates to fixed rates, thereby hedging future interest costs and related cash flows. Unrealized gains and losses arising from changes in the fair value of the swaps as well as realized gains and losses upon settlement of the swaps are reported in our condensed statements of consolidated income (loss) in interest expense and related charges.

Financial Statement Effects of Derivatives

Substantially all derivative contractual assets and liabilities are accounted for under mark-to-market accounting consistent with accounting standards related to derivative instruments and hedging activities. The following tables provide detail of derivative contractual assets and liabilities as reported in our condensed consolidated balance sheets at March 31, 2019 and December 31, 2018. Derivative asset and liability totals represent the net value of the contract, while the balance sheet totals represent the gross value of the contract.

March 31, 2019					
	Derivative Assets		Derivative Liabilities		Total
	Commodity Contracts	Interest Rate Swaps	Commodity Contracts	Interest Rate Swaps	
Current assets	\$ 675	\$ 14	\$ 11	\$ 2	\$ 702
Noncurrent assets	77	12	8	—	97
Current liabilities	(4)	—	(1,208)	(3)	(1,215)
Noncurrent liabilities	(29)	(1)	(222)	(61)	(313)
Net assets (liabilities)	\$ 719	\$ 25	\$ (1,411)	\$ (62)	\$ (729)

December 31, 2018					
	Derivative Assets		Derivative Liabilities		Total
	Commodity Contracts	Interest Rate Swaps	Commodity Contracts	Interest Rate Swaps	
Current assets	\$ 707	\$ 22	\$ 1	\$ —	\$ 730
Noncurrent assets	54	55	—	—	109
Current liabilities	—	—	(1,374)	(2)	(1,376)
Noncurrent liabilities	—	—	(238)	(32)	(270)
Net assets (liabilities)	\$ 761	\$ 77	\$ (1,611)	\$ (34)	\$ (807)

At March 31, 2019 and December 31, 2018, there were no derivative positions accounted for as cash flow or fair value hedges.

The following table presents the pretax effect of derivative gains (losses) on net income, including realized and unrealized effects. Amount represents changes in fair value of positions in the derivative portfolio during the period, as realized amounts related to positions settled are assumed to equal reversals of previously recorded unrealized amounts.

Derivative (condensed statements of consolidated income (loss) presentation)	Three Months Ended March 31,	
	2019	2018
Commodity contracts (Operating revenues)	\$ 227	\$ (446)
Commodity contracts (Fuel, purchased power costs and delivery fees)	27	(1)
Interest rate swaps (Interest expense and related charges)	(76)	56
Net gain (loss)	\$ 178	\$ (391)

Balance Sheet Presentation of Derivatives

We elect to report derivative assets and liabilities in our condensed consolidated balance sheets on a gross basis without taking into consideration netting arrangements we have with counterparties to those derivatives. We maintain standardized master netting agreements with certain counterparties that allow for the right to offset assets and liabilities and collateral in order to reduce credit exposure between us and the counterparty. These agreements contain specific language related to margin requirements, monthly settlement netting, cross-commodity netting and early termination netting, which is negotiated with the contract counterparty.

Generally, margin deposits that contractually offset these derivative instruments are reported separately in our condensed consolidated balance sheets, with the exception of certain margin amounts related to changes in fair value on CME transactions that are legally characterized as settlement of forward exposure rather than collateral. Margin deposits received from counterparties are primarily used for working capital or other general corporate purposes.

The following tables reconcile our derivative assets and liabilities on a contract basis to net amounts after taking into consideration netting arrangements with counterparties and financial collateral:

	March 31, 2019				December 31, 2018			
	Derivative Assets and Liabilities	Offsetting Instruments (a)	Cash Collateral (Received) Pledged (b)	Net Amounts	Derivative Assets and Liabilities	Offsetting Instruments (a)	Cash Collateral (Received) Pledged (b)	Net Amounts
Derivative assets:								
Commodity contracts	\$ 719	\$ (533)	\$ (1)	\$ 185	\$ 761	\$ (593)	\$ (1)	\$ 167
Interest rate swaps	25	(22)	—	3	77	(26)	—	51
Total derivative assets	744	(555)	(1)	188	838	(619)	(1)	218
Derivative liabilities:								
Commodity contracts	(1,411)	533	130	(748)	(1,611)	593	109	(909)
Interest rate swaps	(62)	22	—	(40)	(34)	26	—	(8)
Total derivative liabilities	(1,473)	555	130	(788)	(1,645)	619	109	(917)
Net amounts	\$ (729)	\$ —	\$ 129	\$ (600)	\$ (807)	\$ —	\$ 108	\$ (699)

(a) Amounts presented exclude trade accounts receivable and payable related to settled financial instruments.

(b) Represents cash amounts received or pledged pursuant to a master netting arrangement, including fair value-based margin requirements.

Derivative Volumes

The following table presents the gross notional amounts of derivative volumes at March 31, 2019 and December 31, 2018 :

Derivative type	March 31, 2019	December 31, 2018	Unit of Measure
	Notional Volume		
Natural gas (a)	6,833	7,011	Million MMBtu
Electricity	349,299	317,572	GWh
Financial Transmission Rights (b)	166,663	172,611	GWh
Coal	40	45	Million U.S. tons
Fuel oil	72	60	Million gallons
Uranium	129	50	Thousand pounds
Emissions	7	10	Million tons
Interest rate swaps – floating/fixed (c)	\$ 7,561	\$ 7,717	Million U.S. dollars

(a) Represents gross notional forward sales, purchases and options transactions, locational basis swaps and other natural gas transactions.

(b) Represents gross forward purchases associated with instruments used to hedge electricity price differences between settlement points within ISOs or RTOs.

(c) Includes notional amounts of interest rate swaps with maturity dates through July 2026.

Credit Risk-Related Contingent Features of Derivatives

Our derivative contracts may contain certain credit risk-related contingent features that could trigger liquidity requirements in the form of cash collateral, letters of credit or some other form of credit enhancement. Certain of these agreements require the posting of collateral if our credit rating is downgraded by one or more credit rating agencies or include cross-default contractual provisions that could result in the settlement of such contracts if there was a failure under other financing arrangements related to payment terms or other covenants.

The following table presents the commodity derivative liabilities subject to credit risk-related contingent features that are not fully collateralized:

	March 31, 2019	December 31, 2018
Fair value of derivative contract liabilities (a)	\$ (760)	\$ (856)
Offsetting fair value under netting arrangements (b)	201	218
Cash collateral and letters of credit	119	190
Liquidity exposure	\$ (440)	\$ (448)

(a) Excludes fair value of contracts that contain contingent features that do not provide specific amounts to be posted if features are triggered, including provisions that generally provide the right to request additional collateral (material adverse change, performance assurance and other clauses).

(b) Amounts include the offsetting fair value of in-the-money derivative contracts and net accounts receivable under master netting arrangements.

Concentrations of Credit Risk Related to Derivatives

We have concentrations of credit risk with the counterparties to our derivative contracts. At March 31, 2019, total credit risk exposure to all counterparties related to derivative contracts totaled \$978 million (including associated accounts receivable). The net exposure to those counterparties totaled \$287 million at March 31, 2019, after taking into effect netting arrangements, setoff provisions and collateral, with the largest net exposure to a single counterparty totaling \$101 million. At March 31, 2019, the credit risk exposure to the banking and financial sector represented 55% of the total credit risk exposure and 5% of the net exposure.

Exposure to banking and financial sector counterparties is considered to be within an acceptable level of risk tolerance because all of this exposure is with counterparties with investment grade credit ratings. However, this concentration increases the risk that a default by any of these counterparties would have a material effect on our financial condition, results of operations and liquidity. The transactions with these counterparties contain certain provisions that would require the counterparties to post collateral in the event of a material downgrade in their credit rating.

We maintain credit risk policies with regard to our counterparties to minimize overall credit risk. These policies authorize specific risk mitigation tools including, but not limited to, use of standardized master agreements that allow for netting of positive and negative exposures associated with a single counterparty. Credit enhancements such as parent guarantees, letters of credit, surety bonds, liens on assets and margin deposits are also utilized. Prospective material changes in the payment history or financial condition of a counterparty or downgrade of its credit quality result in the reassessment of the credit limit with that counterparty. The process can result in the subsequent reduction of the credit limit or a request for additional financial assurances. An event of default by one or more counterparties could subsequently result in termination-related settlement payments that reduce available liquidity if amounts are owed to the counterparties related to the derivative contracts or delays in receipts of expected settlements if the counterparties owe amounts to us.

17. RELATED PARTY TRANSACTIONS

In connection with Emergence, we entered into agreements with certain of our affiliates and with parties who received shares of common stock and TRA Rights in exchange for their claims.

Registration Rights Agreement

Pursuant to the Plan of Reorganization, on the Effective Date, we entered into a Registration Rights Agreement (the Registration Rights Agreement) with certain selling stockholders providing for registration of the resale of the Vistra Energy common stock held by such selling stockholders.

In December 2016, we filed a Form S-1 registration statement with the SEC to register for resale the shares of Vistra Energy common stock held by certain significant stockholders pursuant to the Registration Rights Agreement, which was declared effective by the SEC in May 2017. The registration statement was amended in March 2018. Pursuant to the Registration Rights Agreement, in June 2018, we filed a post-effective amendment to the Form S-1 registration statement on Form S-3, which was declared effective by the SEC in July 2018. Among other things, under the terms of the Registration Rights Agreement:

- if we propose to file certain types of registration statements under the Securities Act with respect to an offering of equity securities, we will be required to use our reasonable best efforts to offer the other parties to the Registration Rights Agreement the opportunity to register all or part of their shares on the terms and conditions set forth in the Registration Rights Agreement; and
- the selling stockholders received the right, subject to certain conditions and exceptions, to request that we file registration statements or amend or supplement registration statements, with the SEC for an underwritten offering of all or part of their respective shares of Vistra Energy common stock (a Demand Registration), and the Company is required to cause any such registration statement or amendment or supplement (a) to be filed with the SEC promptly and, in any event, on or before the date that is 45 days , in the case of a registration statement on Form S-1, or 30 days , in the case of a registration statement on Form S-3, after we receive the written request from the relevant selling stockholders to effectuate the Demand Registration and (b) to become effective as promptly as reasonably practicable and in any event no later than 120 days after it is initially filed.

All expenses of registration under the Registration Rights Agreement, including the legal fees of one counsel retained by or on behalf of the selling stockholders, will be paid by us. Legal fee expenses paid or accrued by Vistra Energy on behalf of the selling stockholders totaled less than \$1 million during both the three months ended March 31, 2019 and 2018 .

Tax Receivable Agreement

On the Effective Date, Vistra Energy entered into the TRA with a transfer agent on behalf of certain former first lien creditors of TCEH. See Note 8 for discussion of the TRA.

18. SEGMENT INFORMATION

The operations of Vistra Energy are aligned into six reportable business segments: (i) Retail, (ii) ERCOT, (iii) PJM, (iv) NY/NE, (v) MISO and (vi) Asset Closure. Our chief operating decision maker reviews the results of these segments separately and allocates resources to the respective segments as part of our strategic operations.

The Retail segment is engaged in retail sales of electricity and related services to residential, commercial and industrial customers. Substantially all of these activities are conducted by TXU Energy and Value Based Brands in Texas, Dynegy Energy Services in Massachusetts, Ohio, Illinois and Pennsylvania and Homefield Energy in Illinois.

The ERCOT, PJM, NY/NE (comprising NYISO and ISO-NE) and MISO segments are engaged in electricity generation, wholesale energy sales and purchases, commodity risk management activities, fuel production and fuel logistics management, all largely within their respective RTO/ISO market. The PJM, NY/NE and MISO segments were established on the Merger Date to reflect markets served by businesses acquired in the Merger.

The Asset Closure segment is engaged in the decommissioning and reclamation of retired plants and mines. Separately reporting the Asset Closure segment provides management with better information related to the performance and earnings power of Vistra Energy's ongoing operations and facilitates management's focus on minimizing the cost associated with decommissioning and reclamation of retired plants and mines. We have not allocated any unrealized gains or losses on commodity risk management activities to the Asset Closure segment for the generation plants that were retired in January, February and May 2018.

Corporate and Other represents the remaining non-segment operations consisting primarily of (i) general corporate expenses, interest, taxes and other expenses related to our support functions that provide shared services to our operating segments and (ii) CAISO operations.

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Except as noted in Note 1, the accounting policies of the business segments are the same as those described in the summary of significant accounting policies in Note 1. Our chief operating decision maker uses more than one measure to assess segment performance, including segment net income (loss), which is the measure most comparable to consolidated net income (loss) prepared based on U.S. GAAP. We account for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at market prices. Certain shared services costs are allocated to the segments.

	Three Months Ended March 31,	
	2019	2018
Operating revenues (a)		
Retail	\$ 1,386	\$ 972
ERCOT	954	(533)
PJM	705	—
NY/NE	344	—
MISO	254	—
Asset Closure	—	28
Corporate and Other (b)	118	—
Eliminations	(838)	298
Consolidated operating revenues	<u>\$ 2,923</u>	<u>\$ 765</u>
Depreciation and amortization		
Retail	\$ (59)	\$ (76)
ERCOT	(132)	(64)
PJM	(130)	—
NY/NE	(64)	—
MISO	(3)	—
Asset Closure	—	—
Corporate and Other (b)	(17)	(12)
Eliminations	—	(1)
Consolidated depreciation and amortization	<u>\$ (405)</u>	<u>\$ (153)</u>
Operating income (loss)		
Retail (c)	\$ 18	\$ 757
ERCOT	288	(1,087)
PJM	164	—
NY/NE	16	—
MISO	12	—
Asset Closure	(14)	(23)
Corporate and Other (b)	6	(40)
Eliminations	—	(1)
Consolidated operating income	<u>\$ 490</u>	<u>\$ (394)</u>
Net income (loss)		
Retail (c)	\$ 15	\$ 771
ERCOT	301	(1,086)
PJM	162	—
NY/NE	21	—
MISO	11	—
Asset Closure	(14)	(22)
Corporate and Other (b)	(272)	31
Consolidated net income	<u>\$ 224</u>	<u>\$ (306)</u>

(a) The following unrealized net gains (losses) from mark-to-market valuations of commodity positions are included in operating revenues:

	Three Months Ended March 31,	
	2019	2018
Retail	\$ (1)	\$ 12
ERCOT	237	(1,069)
PJM	91	—
NY/NE	1	—
MISO	(21)	—
Corporate and Other (b)	16	—
Eliminations (1)	(165)	642
Consolidated unrealized net gains (losses) from mark-to-market valuations of commodity positions included in operating revenues	<u>\$ 158</u>	<u>\$ (415)</u>

(1) Amounts offset in fuel, purchased power costs and delivery fees in the Retail segment, with no impact to consolidated results.

(b) Other includes CAISO operations. Income tax expense is not reflected in net income of the segments but is reflected entirely in Corporate net income.

(c) For the three months ended March 31, 2018, Retail operating income and net income is driven by unrealized gains from mark-to-market valuations of commodity positions included in fuel, purchased power costs and delivery fees.

	March 31, 2019	December 31, 2018
Total assets		
Retail	\$ 7,793	\$ 7,699
ERCOT	9,251	9,347
PJM	7,044	7,188
NY/NE	2,723	2,722
MISO	891	836
Asset Closure	255	254
Corporate and Other and Eliminations	(2,389)	(2,022)
Consolidated total assets	<u>\$ 25,568</u>	<u>\$ 26,024</u>

19. SUPPLEMENTARY FINANCIAL INFORMATION

Pension and OPEB Plans — Components of Net Benefit Cost

For the three months ended March 31, 2019, net periodic benefit costs consisted of the following:

	Pension Benefits		OPEB Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2019	2018	2019	2018
Service cost	\$ 2	\$ 1	\$ —	\$ —
Other costs	—	—	2	1
Net periodic benefit cost	\$ 2	\$ 1	\$ 2	\$ 1

Interest Expense and Related Charges

	Three Months Ended March 31,	
	2019	2018
Interest paid/accrued	\$ 150	\$ 50
Unrealized mark-to-market net (gains) losses on interest rate swaps	80	(59)
Amortization of debt issuance costs, discounts and premiums	(2)	—
Debt extinguishment gain	(7)	—
Capitalized interest	(3)	(3)
Other	4	3
Total interest expense and related charges	\$ 222	\$ (9)

The weighted average interest rate applicable to the Vistra Operations Credit Facilities, taking into account the interest rate swaps discussed in Note 11, was 4.23% at March 31, 2019.

Other Income and Deductions

	Three Months Ended March 31,	
	2019	2018
Other income:		
Office space sublease rental income (a)	\$ —	\$ 2
Insurance settlement	11	—
Funds released from escrow to settle pre-petition claims of our predecessor	9	—
Sale of land (b)	—	1
Interest income	4	6
All other	1	1
Total other income	\$ 25	\$ 10
Other deductions:		
All other	\$ 2	\$ 2
Total other deductions	\$ 2	\$ 2

(a) Reported in Corporate and Other non-segment.

(b) Reported in ERCOT segment.

Restricted Cash

	March 31, 2019	December 31, 2018
	Current Assets	
Amounts related to restructuring escrow accounts	\$ 42	\$ 57
Total restricted cash	\$ 42	\$ 57

Trade Accounts Receivable

	March 31, 2019	December 31, 2018
Wholesale and retail trade accounts receivable	\$ 1,019	\$ 1,106
Allowance for uncollectible accounts	(19)	(19)
Trade accounts receivable — net	\$ 1,000	\$ 1,087

Gross trade accounts receivable at March 31, 2019 and December 31, 2018 included unbilled retail revenues of \$280 million and \$350 million , respectively.

Allowance for Uncollectible Accounts Receivable

	Three Months Ended March 31,	
	2019	2018
Allowance for uncollectible accounts receivable at beginning of period	\$ 19	\$ 14
Increase for bad debt expense	15	11
Decrease for account write-offs	(15)	(11)
Allowance for uncollectible accounts receivable at end of period	\$ 19	\$ 14

Inventories by Major Category

	March 31, 2019	December 31, 2018
Materials and supplies	\$ 294	\$ 286
Fuel stock	127	115
Natural gas in storage	12	11
Total inventories	\$ 433	\$ 412

Other Investments

	March 31, 2019	December 31, 2018
Nuclear plant decommissioning trust	\$ 1,288	\$ 1,170
Assets related to employee benefit plans	32	31
Land	49	49
Total other investments	\$ 1,369	\$ 1,250

Investment in Unconsolidated Subsidiaries

On the Merger Date, we assumed Dynegy's 50% interest in Northeast Energy, LP (NELP), a joint venture with NextEra Energy, Inc., which indirectly owns the Bellingham NEA facility and the Sayreville facility. At March 31, 2019 , our investment in NELP totaled \$131 million based on our purchase price allocation. Our risk of loss related to our equity method investment is limited to our investment balance.

For the three months ended March 31, 2019 , equity earnings related to our investment in NELP totaled \$7 million , recorded in equity in earnings (loss) of unconsolidated investment in our condensed statements of consolidated net income (loss). For the three months ended March 31, 2019 , we received distributions totaling \$4 million .

Nuclear Decommissioning Trust

Investments in a trust that will be used to fund the costs to decommission the Comanche Peak nuclear generation plant are carried at fair value. Decommissioning costs are being recovered from Oncor Electric Delivery Company LLC's (Oncor) customers as a delivery fee surcharge over the life of the plant and deposited by Vistra Energy (and prior to the Effective Date, a subsidiary of TCEH) in the trust fund. Income and expense associated with the trust fund and the decommissioning liability are offset by a corresponding change in a regulatory asset/liability (currently a regulatory liability reported in other noncurrent liabilities and deferred credits) that will ultimately be settled through changes in Oncor's delivery fees rates. If funds recovered from Oncor's customers held in the trust fund are determined to be inadequate to decommission the Comanche Peak nuclear generation plant, Oncor would be required to collect all additional amounts from its customers, with no obligation from Vistra Energy, provided that Vistra Energy complied with PUCT rules and regulations regarding decommissioning trusts. A summary of investments in the fund follows:

March 31, 2019				
	Cost (a)	Unrealized gain	Unrealized loss	Fair market value
Debt securities (b)	\$ 453	\$ 13	\$ (2)	\$ 464
Equity securities (c)	285	540	(1)	824
Total	\$ 738	\$ 553	\$ (3)	\$ 1,288

December 31, 2018				
	Cost (a)	Unrealized gain	Unrealized loss	Fair market value
Debt securities (b)	\$ 444	\$ 7	\$ (8)	\$ 443
Equity securities (c)	280	448	(1)	727
Total	\$ 724	\$ 455	\$ (9)	\$ 1,170

(a) Includes realized gains and losses on securities sold.

(b) The investment objective for debt securities is to invest in a diversified tax efficient portfolio with an overall portfolio rating of AA or above as graded by S&P or Aa2 by Moody's. The debt securities are heavily weighted with government and municipal bonds and investment grade corporate bonds. The debt securities had an average coupon rate of 3.62% and 3.69% at March 31, 2019 and December 31, 2018, respectively, and an average maturity of nine years and eight years at March 31, 2019 and December 31, 2018, respectively.

(c) The investment objective for equity securities is to invest tax efficiently and to match the performance of the S&P 500 Index for U.S. equity investments and the MSCI EAFE Index for non-U.S. equity investments.

Debt securities held at March 31, 2019 mature as follows: \$157 million in one to five years, \$116 million in five to 10 years and \$191 million after 10 years.

The following table summarizes proceeds from sales of available-for-sale securities and the related realized gains and losses from such sales.

	Three Months Ended March 31,	
	2019	2018
Realized gains	\$ 3	\$ —
Realized losses	\$ (1)	\$ (2)
Proceeds from sales of securities	\$ 78	\$ 46
Investments in securities	\$ (83)	\$ (51)

Property, Plant and Equipment

	March 31, 2019	December 31, 2018
Power generation and structures	\$ 14,757	\$ 14,604
Land	642	642
Office and other equipment	175	182
Total	15,574	15,428
Less accumulated depreciation	(1,614)	(1,284)
Net of accumulated depreciation	13,960	14,144
Nuclear fuel (net of accumulated amortization of \$163 million and \$189 million)	191	191
Construction work in progress	297	277
Property, plant and equipment — net	\$ 14,448	\$ 14,612

Depreciation expenses totaled \$335 million and \$68 million for three months ended March 31, 2019 and 2018 , respectively.

Asset Retirement and Mining Reclamation Obligations (ARO)

These liabilities primarily relate to nuclear generation plant decommissioning, land reclamation related to lignite mining, removal of coal/lignite fueled plant ash treatment facilities and generation plant asbestos removal and disposal costs. There is no earnings impact with respect to changes in the nuclear plant decommissioning liability, as all costs are recoverable through the regulatory process as part of delivery fees charged by Oncor.

At March 31, 2019 , the carrying value of our ARO related to our nuclear generation plant decommissioning totaled \$1.287 billion , which is lower than the fair value of the assets contained in the nuclear decommissioning trust. Since the costs to ultimately decommission that plant are recoverable through the regulatory rate making process as part of Oncor's delivery fees, a corresponding regulatory liability has been recorded to our condensed consolidated balance sheet of \$1 million in other noncurrent liabilities and deferred credits.

The following tables summarize the changes to these obligations, reported as asset retirement obligations (current and noncurrent liabilities) in our condensed consolidated balance sheets, for the three months ended March 31, 2019 and 2018 .

	Nuclear Plant Decommissioning	Mining Land Reclamation	Coal Ash and Other	Total
Liability at December 31, 2018	\$ 1,276	\$ 442	\$ 655	\$ 2,373
Additions:				
Accretion	11	6	8	25
Adjustment for change in estimates	—	(1)	(2)	(3)
Adjustment for obligations assumed through acquisitions	—	—	(3)	(3)
Reductions:				
Payments	—	(14)	(8)	(22)
Liability at March 31, 2019	1,287	433	650	2,370
Less amounts due currently	—	(120)	(74)	(194)
Noncurrent liability at March 31, 2019	\$ 1,287	\$ 313	\$ 576	\$ 2,176

	Nuclear Plant Decommissioning	Mining Land Reclamation	Coal Ash and Other	Total
Liability at December 31, 2017	\$ 1,233	\$ 438	\$ 265	\$ 1,936
Additions:				
Accretion	11	5	3	19
Adjustment for change in estimates	—	4	—	4
Reductions:				
Payments	—	(16)	—	(16)
Liability at March 31, 2018	<u>\$ 1,244</u>	<u>\$ 431</u>	<u>\$ 268</u>	<u>\$ 1,943</u>

Other Noncurrent Liabilities and Deferred Credits

The balance of other noncurrent liabilities and deferred credits consists of the following:

	March 31, 2019	December 31, 2018
Retirement and other employee benefits	\$ 272	\$ 270
Finance lease liabilities	12	—
Uncertain tax positions, including accrued interest	5	4
Other	66	66
Total other noncurrent liabilities and deferred credits	<u>\$ 355</u>	<u>\$ 340</u>

Fair Value of Debt

	Fair Value Hierarchy	March 31, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (see Note 11):					
Long-term debt under the Vistra Operations Credit Facilities	Level 2	\$ 5,805	\$ 5,727	\$ 5,820	\$ 5,599
Vistra Operations Senior Notes	Level 2	2,272	2,386	987	963
Vistra Energy Senior Notes	Level 2	2,504	2,491	3,819	3,765
7.000% Amortizing Notes	Level 2	15	16	23	24
Forward Capacity Agreements	Level 3	221	221	221	221
Equipment Financing Agreements	Level 3	100	100	102	102
Mandatorily redeemable subsidiary preferred stock	Level 2	70	70	70	70
Building Financing	Level 2	20	19	23	21

We determine fair value in accordance with accounting standards as discussed in Note 15. We obtain security pricing from an independent party who uses broker quotes and third-party pricing services to determine fair values. Where relevant, these prices are validated through subscription services, such as Bloomberg.

Supplemental Cash Flow Information

The following table reconciles cash, cash equivalents and restricted cash reported in our condensed statements of consolidated cash flows to the amounts reported in our condensed balance sheets at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 546	\$ 636
Restricted cash included in current assets	42	57
Total cash, cash equivalents and restricted cash	<u>\$ 588</u>	<u>\$ 693</u>

The following table summarizes our supplemental cash flow information for the three months ended March 31, 2019 and 2018 :

	Three Months Ended March 31,	
	2019	2018
Cash payments related to:		
Interest paid	\$ 139	\$ 65
Capitalized interest	(3)	(3)
Interest paid (net of capitalized interest)	\$ 136	\$ 62
Income taxes	\$ 4	\$ —
Noncash investing and financing activities:		
Construction expenditures (a)	\$ 45	\$ 26

(a) Represents end-of-period accruals for ongoing construction projects.

20. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Our senior unsecured notes are guaranteed by substantially all of our wholly owned subsidiaries. The following condensed consolidating financial statements present the financial information of (i) Vistra Energy Corp. (Parent), which is the ultimate parent company and issuer of the senior notes with effect as of the Merger Date, on a stand-alone, unconsolidated basis, (ii) the guarantor subsidiaries of Vistra Energy (Guarantor Subsidiaries), (iii) the non-guarantor subsidiaries of Vistra Energy (Non-Guarantor Subsidiaries) and (iv) the eliminations necessary to arrive at the information for Vistra Energy on a consolidated basis. The Guarantor Subsidiaries consist of the wholly-owned subsidiaries, which jointly, severally, fully and unconditionally, guarantee the payment obligations under the senior notes. See Note 11 for discussion of the senior notes.

These statements should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Vistra Energy. The supplemental condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include all disclosures included in annual financial statements. The inclusion of Vistra Energy's subsidiaries as either Guarantor Subsidiaries or Non-Guarantor Subsidiaries in the condensed consolidating financial information is determined as of the most recent balance sheet date presented.

The Parent files a consolidated U.S. federal income tax return. All consolidated income tax expense or benefits and deferred tax assets and liabilities have been allocated to the respective subsidiary columns in accordance with the accounting rules that apply to separate financial statements of subsidiaries.

Vistra Energy Corp. (Parent) received \$1.550 billion in dividends from its consolidated subsidiaries for the three months ended March 31, 2019, and none were received in the three months ended March 31, 2018.

Condensed Statements of Consolidating Income (Loss) for the Three Months Ended March 31, 2019 (Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	\$ —	\$ 2,948	\$ 57	\$ (82)	\$ 2,923
Fuel, purchased power costs and delivery fees	—	(1,468)	(29)	36	(1,461)
Operating costs	—	(371)	(14)	—	(385)
Depreciation and amortization	—	(382)	(23)	—	(405)
Selling, general and administrative expenses	(19)	(191)	(18)	46	(182)
Operating income (loss)	(19)	536	(27)	—	490
Other income	10	17	—	(2)	25
Other deductions	—	(2)	—	—	(2)
Interest expense and related charges	(39)	(180)	(5)	2	(222)
Impacts of Tax Receivable Agreement	3	—	—	—	3
Equity in earnings of unconsolidated investment	—	7	—	—	7
Income (loss) before income taxes	(45)	378	(32)	—	301
Income tax expense	13	(90)	9	(9)	(77)
Equity in earnings (loss) of subsidiaries, net of tax	257	236	—	(493)	—
Net income (loss)	225	524	(23)	(502)	224
Net loss attributable to noncontrolling interest	—	—	1	—	1
Net income (loss) attributable to Vistra Energy	\$ 225	\$ 524	\$ (22)	\$ (502)	\$ 225

Condensed Statements of Consolidating Income (Loss) for the Three Months Ended March 31, 2018
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	\$ —	\$ 765	\$ —	\$ —	\$ 765
Fuel, purchased power costs and delivery fees	—	(650)	—	—	(650)
Operating costs	—	(194)	—	—	(194)
Depreciation and amortization	—	(153)	—	—	(153)
Selling, general and administrative expenses	(33)	(129)	—	—	(162)
Operating income (loss)	(33)	(361)	—	—	(394)
Other income	3	7	—	—	10
Other deductions	—	(2)	—	—	(2)
Interest expense and related charges	—	9	—	—	9
Impacts of Tax Receivable Agreement	(18)	—	—	—	(18)
Income before income taxes	(48)	(347)	—	—	(395)
Income tax expense	89	—	—	—	89
Equity in earnings of subsidiaries, net of tax	(347)	—	—	347	—
Net income (loss)	\$ (306)	\$ (347)	\$ —	\$ 347	\$ (306)

Condensed Statements of Consolidating Comprehensive Income (Loss) for the Three Months Ended March 31, 2019
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 225	\$ 524	\$ (23)	\$ (502)	\$ 224
Other comprehensive income (loss), net of tax effects:					
Effect related to pension and other retirement benefit obligations	—	1	—	—	1
Total other comprehensive income	—	1	—	—	1
Comprehensive income (loss)	225	525	(23)	(502)	225
Comprehensive loss attributable to noncontrolling interest	—	—	1	—	1
Comprehensive income (loss) attributable to Vistra Energy	\$ 225	\$ 525	\$ (22)	\$ (502)	\$ 226

Condensed Statements of Consolidating Comprehensive Income (Loss) for the Three Months Ended March 31, 2018
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ (306)	\$ (347)	\$ —	\$ 347	\$ (306)
Other comprehensive income (loss), net of tax effects:					
Effect related to pension and other retirement benefit obligations	—	1	—	—	1
Total other comprehensive income	—	1	—	—	1
Comprehensive income (loss)	\$ (306)	\$ (346)	\$ —	\$ 347	\$ (305)

Condensed Statements of Consolidating Cash Flows for the Three Months Ended March 31, 2019
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows — operating activities:					
Cash provided by (used in) operating activities	\$ (22)	\$ 421	\$ (11)	\$ —	\$ 388
Cash flows — financing activities:					
Issuances of long-term debt	—	1,300	—	—	1,300
Repayments/repurchases of debt	(1,262)	(20)	—	—	(1,282)
Net borrowings under accounts receivable securitization program	—	—	11	—	11
Cash dividends paid	(61)	(1,550)	—	1,550	(61)
Stock repurchase	(248)	—	—	—	(248)
Debt tender offer and other financing fees	(48)	(16)	—	—	(64)
Cash provided by (used in) financing activities	(1,619)	(286)	11	1,550	(344)
Cash flows — investing activities:					
Capital expenditures, including LTSA prepayments	(6)	(112)	—	—	(118)
Nuclear fuel purchases	—	(13)	—	—	(13)
Development and growth expenditures	—	(22)	—	—	(22)
Proceeds from sales of nuclear decommissioning trust fund securities	—	78	—	—	78
Investments in nuclear decommissioning trust fund securities	—	(83)	—	—	(83)
Dividend received from subsidiaries	1,550	—	—	(1,550)	—
Other, net	—	9	—	—	9
Cash provided by (used in) investing activities	1,544	(143)	—	(1,550)	(149)
Net change in cash, cash equivalents and restricted cash	(97)	(8)	—	—	(105)
Cash, cash equivalents and restricted cash — beginning balance	228	453	12	—	693
Cash, cash equivalents and restricted cash — ending balance	\$ 131	\$ 445	\$ 12	\$ —	\$ 588

Condensed Statements of Consolidating Cash Flows for the Three Months Ended March 31, 2018
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows — operating activities:					
Cash provided by (used in) operating activities	\$ (78)	\$ 56	\$ —	\$ —	\$ (22)
Cash flows — financing activities:					
Repayments/repurchases of debt	—	(10)	—	—	(10)
Other, net	—	1	—	—	1
Cash provided by (used in) financing activities	—	(9)	—	—	(9)
Cash flows — investing activities:					
Capital expenditures	—	(39)	—	—	(39)
Nuclear fuel purchases	—	(11)	—	—	(11)
Solar development expenditures	—	(21)	—	—	(21)
Proceeds from sales of nuclear decommissioning trust fund securities	—	46	—	—	46
Investments in nuclear decommissioning trust fund securities	—	(51)	—	—	(51)
Other, net	—	(1)	—	—	(1)
Cash provided by (used in) investing activities	—	(77)	—	—	(77)
Net change in cash, cash equivalents and restricted cash	(78)	(30)	—	—	(108)
Cash, cash equivalents and restricted cash — beginning balance	1,183	863	—	—	2,046
Cash, cash equivalents and restricted cash — ending balance	<u>\$ 1,105</u>	<u>\$ 833</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,938</u>

Condensed Consolidating Balance Sheet as of March 31, 2019
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 89	\$ 445	\$ 12	\$ —	\$ 546
Restricted cash	42	—	—	—	42
Advances to affiliates	—	39	—	(39)	—
Trade accounts receivable — net	19	614	433	(66)	1,000
Accounts receivable — affiliates	—	333	—	(333)	—
Notes due from affiliates	—	101	—	(101)	—
Income taxes receivable	—	—	—	—	—
Inventories	—	417	16	—	433
Commodity and other derivative contractual assets	—	702	—	—	702
Margin deposits related to commodity contracts	—	331	—	—	331
Prepaid expense and other current assets	131	120	19	—	270
Total current assets	281	3,102	480	(539)	3,324
Investments	—	1,337	32	—	1,369
Investment in unconsolidated subsidiary	—	133	—	—	133
Investment in affiliated companies	9,910	144	—	(10,054)	—
Property, plant and equipment — net	21	13,868	559	—	14,448
Operating lease right-of-use assets	—	66	2	—	68
Goodwill	—	2,082	—	—	2,082
Identifiable intangible assets — net	13	2,385	2	—	2,400
Commodity and other derivative contractual assets	—	97	—	—	97
Accumulated deferred income taxes	809	563	—	(81)	1,291
Other noncurrent assets	131	219	6	—	356
Total assets	\$ 11,165	\$ 23,996	\$ 1,081	\$ (10,674)	\$ 25,568
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts receivable securitization program	\$ —	\$ —	\$ 350	\$ —	\$ 350
Advances from affiliates	—	—	39	(39)	—
Long-term debt due currently	15	184	5	—	204
Trade accounts payable	1	776	65	(55)	787
Accounts payable — affiliates	250	—	83	(333)	—
Notes due to affiliates	—	—	101	(101)	—
Commodity and other derivative contractual liabilities	—	1,215	—	—	1,215
Margin deposits related to commodity contracts	—	8	—	—	8
Accrued taxes	37	—	—	—	37
Accrued taxes other than income	—	75	3	—	78
Accrued interest	65	30	6	(10)	91
Asset retirement obligations	—	194	—	—	194
Operating lease liabilities	—	14	2	—	16
Other current liabilities	51	206	1	—	258
Total current liabilities	419	2,702	655	(538)	3,238

Condensed Consolidating Balance Sheet as of March 31, 2019
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Long-term debt, less amounts due currently	2,504	8,270	29	—	10,803
Operating lease liabilities	—	83	7	—	90
Commodity and other derivative contractual liabilities	—	313	—	—	313
Accumulated deferred income taxes	—	—	91	(81)	10
Tax Receivable Agreement obligation	417	—	—	—	417
Asset retirement obligations	—	2,162	14	—	2,176
Identifiable intangible liabilities — net	—	243	117	—	360
Other noncurrent liabilities and deferred credits	21	317	17	—	355
Total liabilities	3,361	14,090	930	(619)	17,762
Total stockholders' equity	7,804	9,906	149	(10,055)	7,804
Noncontrolling interest in subsidiary	—	—	2	—	2
Total liabilities and equity	\$ 11,165	\$ 23,996	\$ 1,081	\$ (10,674)	\$ 25,568

Condensed Consolidating Balance Sheet as of December 31, 2018
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 171	\$ 453	\$ 12	\$ —	\$ 636
Restricted cash	57	—	—	—	57
Advances to affiliates	11	11	—	(22)	—
Trade accounts receivable — net	4	729	464	(110)	1,087
Accounts receivable - affiliates	—	245	—	(245)	—
Notes due from affiliates	—	101	—	(101)	—
Income taxes receivable	—	1	—	(1)	—
Inventories	—	391	21	—	412
Commodity and other derivative contractual assets	—	730	—	—	730
Margin deposits related to commodity contracts	—	361	—	—	361
Prepaid expense and other current assets	2	134	16	—	152
Total current assets	245	3,156	513	(479)	3,435
Investments	—	1,218	32	—	1,250
Investments in unconsolidated subsidiary	—	131	—	—	131
Investment in affiliated companies	11,186	263	—	(11,449)	—
Property, plant and equipment — net	15	14,017	580	—	14,612
Goodwill	—	2,068	—	—	2,068
Identifiable intangible assets — net	10	2,480	3	—	2,493
Commodity and other derivative contractual assets	—	109	—	—	109
Accumulated deferred income taxes	809	599	—	(72)	1,336
Other noncurrent assets	255	330	5	—	590
Total assets	\$ 12,520	\$ 24,371	\$ 1,133	\$ (12,000)	\$ 26,024
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts receivable securitization program	\$ —	\$ —	\$ 339	\$ —	\$ 339
Advances from affiliates	—	—	22	(22)	—

Condensed Consolidating Balance Sheet as of December 31, 2018
(Millions of Dollars)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Long-term debt due currently	23	163	5	—	191
Trade accounts payable	2	928	121	(106)	945
Accounts payable - affiliates	236	—	9	(245)	—
Notes due to affiliates	—	—	101	(101)	—
Commodity and other derivative contractual liabilities	—	1,376	—	—	1,376
Margin deposits related to commodity contracts	—	4	—	—	4
Accrued taxes	11	—	—	(1)	10
Accrued taxes other than income	—	181	1	—	182
Accrued interest	48	29	4	(4)	77
Asset retirement obligations	—	156	—	—	156
Other current liabilities	74	267	4	—	345
Total current liabilities	394	3,104	606	(479)	3,625
Long-term debt, less amounts due currently	3,819	7,027	28	—	10,874
Commodity and other derivative contractual liabilities	—	270	—	—	270
Accumulated deferred income taxes	—	—	82	(72)	10
Tax Receivable Agreement obligation	420	—	—	—	420
Asset retirement obligations	—	2,203	14	—	2,217
Identifiable intangible liabilities — net	—	278	123	—	401
Other noncurrent liabilities and deferred credits	20	303	17	—	340
Total liabilities	4,653	13,185	870	(551)	18,157
Total stockholders' equity	7,867	11,186	259	(11,449)	7,863
Noncontrolling interest in subsidiary	—	—	4	—	4
Total liabilities and equity	\$ 12,520	\$ 24,371	\$ 1,133	\$ (12,000)	\$ 26,024

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

The following discussion and analysis of our financial condition and results of operations for the three months ended March 31, 2019 and 2018 should be read in conjunction with our condensed consolidated financial statements and the notes to those statements.

All dollar amounts in the tables in the following discussion and analysis are stated in millions of U.S. dollars unless otherwise indicated.

Business

Vistra Energy is a holding company operating an integrated power business in markets throughout the U.S. Through our subsidiaries, we are engaged in competitive electricity market activities including power generation, wholesale energy sales and purchases, commodity risk management and retail sales of electricity and related services to end users.

Operating Segments

Vistra Energy has six reportable segments: (i) Retail, (ii) ERCOT, (iii) PJM, (iv) NY/NE (comprising NYISO and ISO-NE), (v) MISO and (vi) Asset Closure. The PJM, NY/NE and MISO segments were established on the Merger Date to reflect markets served by businesses acquired in the Merger. See Note 18 to the Financial Statements for further information concerning reportable business segments.

Significant Activities and Events and Items Influencing Future Performance

Entry into Purchase Agreement to Acquire Crius Energy Trust

In February 2019, Vistra Energy and Crius Energy Trust (Crius) entered into a definitive agreement (as amended from time to time, the Crius Purchase Agreement) pursuant to which Vistra Energy will acquire the equity interests of two wholly owned subsidiaries of Crius that indirectly own the operating business of Crius (Crius Transaction). Crius is an energy retailer selling both electricity and natural gas products to residential and small business customers in 19 states and the District of Columbia.

The Crius Transaction is expected to provide a high degree of overlap with Vistra Energy's generation fleet with approximately 11.6 TWh of annual load, improving Vistra Energy's match of its generation to load profile to approximately 45 percent, reducing risk. The Crius Transaction also is expected to establish a platform for future growth by leveraging Vistra Energy's existing retail marketing capabilities and Crius's experienced team. The Crius Transaction is also expected to enhance the integrated value proposition through collateral and transaction efficiencies, particularly via Crius's largely retail portfolio.

Vistra Energy intends to fund the purchase price of approximately \$378 million using cash on hand and assumption of Crius's net debt of approximately \$108 million. With respect to certain conditions to closing, in March 2019, (i) at the special meeting to consider and vote whether to approve the Crius Transaction, over 98% of Crius unitholders casting votes at the meeting voted in favor of the Crius Transaction (exceeding the requirement that at least two-thirds of Crius unitholders approve the transaction) and (ii) the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired and terminated. Completion of the Crius Transaction remains subject to the receipt of all requisite regulatory approvals, which include the approval of the FERC. Pending the receipt of all necessary approvals and the fulfillment of all other customary closing conditions, the parties expect the transaction to close in the second quarter of 2019.

Merger Transaction

On the Merger Date, Vistra Energy and Dynegy completed the transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, Dynegy merged with and into Vistra Energy, with Vistra Energy continuing as the surviving corporation.

See Note 2 to the Financial Statements for a summary of the Merger transaction and business combination accounting.

Acquisition, Development and Disposition of Generation Facilities

See Note 3 to the Financial Statements for a summary of our solar generation and battery energy storage projects, See Note 4 to the Financial Statements for a summary of our generation plant retirements in 2018.

Dividend Program — In November 2018, Vistra Energy announced that the Board had adopted a dividend program pursuant to which Vistra Energy would initiate an annual dividend of approximately \$0.50 per share, beginning in the first quarter of 2019. In February 2019, the Board declared a quarterly dividend of \$0.125 per share. The dividend was paid on March 29, 2019 to shareholders of record as of March 15, 2019.

Share Repurchase Program — In June 2018, we announced that the Board had authorized a share repurchase program under which up to \$500 million of our outstanding common stock may be repurchased. Repurchases under this program were completed on October 19, 2018. On a cumulative basis, 21,421,925 shares of our common stock were repurchased for \$500 million (including related fees and expenses) at an average price of \$23.36 per share of common stock.

In November 2018, we announced that the Board had authorized an incremental share repurchase program under which up to \$1.25 billion of our outstanding stock may be purchased. Through March 31, 2019, 21,614,708 shares of our common stock had been repurchased for \$514 million (including related fees and expenses) at an average price of \$23.78 per share of common stock, and at March 31, 2019, \$736 million was available for additional repurchases under the program. On a cumulative basis through April 30, 2019, 23,326,595 shares of our common stock had been repurchased for \$559 million (including related fees and expenses) at an average price of \$23.96 per share of common stock, and at April 30, 2019 \$691 million was available for additional purchases under the program. We intend to implement the program opportunistically from time to time in 2019 and 2020.

Shares of the Company's common stock may be repurchased in open market transactions at prevailing market prices, in privately negotiated transactions or by other means in accordance with the Exchange Act, or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the share repurchase program will be determined at our discretion and will depend on a number of factors, including the market price of our stock, general market and economic conditions, applicable legal requirements and compliance with the terms of our debt agreements and the Tax Matters Agreement.

Debt Activity

We have a target to reduce leverage to approximately 2.5x net debt/EBITDA. The following transactions reflect our intention to maintain adequate liquidity, simplify our capital structure and reduce interest expense. We will continue to pursue opportunities to refinance our long-term debt and reduce interest expense. See Note 11 to the Financial Statements for details of our long-term debt activity and Note 10 to the Financial Statements for details of the accounts receivable securitization program.

2019 Amendment to Vistra Operations Credit Facilities — In March 2019, the Credit Facilities Agreement was amended whereby aggregate commitments under the Revolving Credit Facility were increased from \$2.5 billion to \$2.675 billion. The letter of credit sub-facility was also increased from \$2.3 billion to \$2.35 billion.

Issuance of Vistra Operations 5.625% Senior Notes Due 2027 — In February 2019, Vistra Operations issued and sold \$1.3 billion aggregate principal amount of 5.625% senior unsecured notes due 2027 in an offering to eligible purchasers under Rule 144A and Regulation S under the Securities Act. Net proceeds from the sale of the senior notes totaling approximately \$1.287 billion, together with cash on hand, were used to pay the purchase price and accrued interest (together with fees and expenses) required in connection with (i) the 2019 Tender Offer described below, (ii) the redemption of approximately \$35 million aggregate principal amount of our 7.375% senior unsecured notes due 2022 and (iii) the redemption of the remaining approximately \$25 million aggregate principal amount of our outstanding 8.034% senior unsecured notes due 2024.

2019 Tender Offer — In February 2019, Vistra Energy used the net proceeds from the issuance of the Vistra Operations 5.625% senior unsecured notes due 2027 to fund a cash tender offer (the 2019 Tender Offer) to purchase for cash approximately \$1.193 billion aggregate principal amount of 7.375% senior unsecured notes due 2022 that we assumed in the Merger.

Bond Repurchase Program — In November 2018, the Board authorized a bond repurchase program under which up to \$200 million principal amount of outstanding Vistra Energy senior unsecured notes could be repurchased. Through March 31, 2019, \$119 million aggregate principal amount of senior unsecured notes had been repurchased under the program. No repurchases were made in the three months ended March 31, 2019.

Accounts Receivable Securitization Program — In August 2018, TXU Energy Receivables Company LLC (RecCo), a wholly-owned subsidiary of TXU Energy, and Vistra Energy entered into a \$350 million accounts receivable financing facility (Receivables Facility). At March 31, 2019, the Receivables Facility provides Vistra Energy with the ability to borrow up to \$350 million. In April 2019, the terms of the Receivable Facility were amended to provide RecCo with the ability to borrow up to \$450 million.

Issuance of Vistra Operations 5.500% Senior Notes Due 2026 — In August 2018, Vistra Operations issued and sold \$1 billion aggregate principal amount of the 5.500% senior unsecured notes due 2026 in an offering to eligible purchasers under Rule 144A and Regulation S under the Securities Act. Net proceeds from the sale of the senior unsecured notes totaling approximately \$990 million, together with cash on hand and cash received from the funding of the accounts receivable securitization program described above, were used to pay the purchase price and accrued interest (together with fees and expenses) required in connection with the 2018 Tender Offers described below.

2018 Tender Offers — In August 2018, Vistra Energy used the net proceeds from the issuance of the Vistra Operations 5.500% senior unsecured notes due 2026, proceeds from the accounts receivable securitization program and cash on hand to fund cash tender offers to purchase for cash \$1.542 billion of senior unsecured notes assumed in the Merger (the 2018 Tender Offers).

2018 Amendment to Vistra Operations Credit Facilities — In June 2018, the Credit Facilities Agreement was amended. Among other things, the amendment included the following updated terms:

- Aggregate commitments under the Revolving Credit Facility were increased from \$860 million to \$2.5 billion. The letter of credit sub-facility was also increased from \$715 million to \$2.3 billion. The maturity date of the Revolving Credit Facility was extended from August 4, 2021 to June 14, 2023. Pricing terms for the Revolving Credit Facility were reduced from LIBOR plus an applicable margin of 2.25% to LIBOR plus an applicable margin of 1.75%. Pricing terms for letters of credit issued under the Revolving Credit Facility were reduced from 2.25% to 1.75%.
- Pricing terms for the Term Loan B-1 Facility were reduced from LIBOR plus an applicable margin of 2.50% to LIBOR plus an applicable margin of 2.00%.
- Borrowings under the new Term Loan B-3 Facility of \$2.050 billion principal amount were used to repay borrowings under the credit agreement that Vistra Energy assumed from Dynegy in connection with the Merger.
- Borrowings under the Term Loan C Facility of \$500 million were repaid using \$500 million of cash from collateral accounts used to backstop letters of credit.

Redemption of Debt — In May 2018, \$850 million aggregate principal amount of outstanding 6.75% Senior Notes due 2019 was redeemed at a redemption price of 101.688% of the aggregate principal amount, plus accrued and unpaid interest to but not including the date of redemption.

Natural Gas Price and Market Heat Rate Exposure

Taking together forward wholesale, retail electricity sales and other retail customer considerations and all other hedging positions in ERCOT at March 31, 2019, we had effectively hedged an estimated 100% of the natural gas price exposure related to our overall ERCOT business for both 2019 and 2020. These percentages assume conversion of generation positions based on market heat rates and an estimate of natural gas generally being on the margin 70% to 90% of the time in the ERCOT market. Additionally, taking into consideration our overall heat rate exposure and related hedging positions in ERCOT at March 31, 2019, we had effectively hedged 94% and 52% of the heat rate exposure to our overall business for 2019 and 2020, respectively. We make the distinction between natural gas price exposure and heat rate exposure for the ERCOT market because of the high percentage of time natural gas is on the margin and the availability of traded products in ERCOT to hedge heat rate directly. Generation volumes hedged in PJM, NYISO, ISO-NE, MISO and CAISO at March 31, 2019 were as follows:

	2019	2020
PJM	95%	67%
NYISO/ISO-NE	94%	32%
MISO/CAISO	74%	37%

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The following sensitivity table provides approximate estimates of the potential impact of movements in natural gas prices and market heat rates on realized pretax earnings (in millions) taking into account the hedge positions noted in the paragraph above for the periods presented. The estimates related to price sensitivity are based on our expected generation and retail positions, related hedges and forward prices as of March 31, 2019 .

	Balance 2019 (a)	2020
ERCOT:		
\$0.50/MMBtu increase in natural gas price (b)	\$ ~35	\$ ~30
\$0.50/MMBtu decrease in natural gas price (b)	\$ ~(30)	\$ ~(25)
1.0/MMBtu/MWh increase in market heat rate (c)	\$ ~35	\$ ~145
1.0/MMBtu/MWh decrease in market heat rate (c)	\$ ~(30)	\$ ~(135)
PJM:		
\$0.50/MMBtu increase in natural gas price (d)	\$ ~25	\$ ~75
\$0.50/MMBtu decrease in natural gas price (d)	\$ ~(10)	\$ ~(55)
1.0/MMBtu/MWh increase in market heat rate (e)	\$ ~15	\$ ~65
1.0/MMBtu/MWh decrease in market heat rate (e)	\$ ~(10)	\$ ~(55)
NYISO/ISO-NE:		
\$0.50/MMBtu increase in natural gas price (d)	\$ ~15	\$ ~65
\$0.50/MMBtu decrease in natural gas price (d)	\$ ~(15)	\$ ~(55)
1.0/MMBtu/MWh increase in market heat rate (f)	\$ ~15	\$ ~65
1.0/MMBtu/MWh decrease in market heat rate (f)	\$ ~(5)	\$ ~(50)
MISO/CAISO:		
\$0.50/MMBtu increase in natural gas price (d)	\$ ~45	\$ ~135
\$0.50/MMBtu decrease in natural gas price (d)	\$ ~(25)	\$ ~(105)
1.0/MMBtu/MWh increase in market heat rate (g)	\$ ~20	\$ ~70
1.0/MMBtu/MWh decrease in market heat rate (g)	\$ ~(15)	\$ ~(60)

(a) Balance of 2019 is from May 1, 2019 through December 31, 2019 .

(b) Based on Houston Ship Channel natural gas prices at March 31, 2019 .

(c) Based on ERCOT North Hub around-the-clock heat rates at March 31, 2019 .

(d) Based on NYMEX natural gas prices at March 31, 2019 .

(e) Based on AEP Dayton Hub, Northern Illinois Hub and PJM West Hub around-the-clock heat rates at March 31, 2019 .

(f) Based on Massachusetts Hub and NYISO Zone C around-the-clock heat rates at March 31, 2019 .

(g) Based on Indiana Hub and NP15 around-the-clock heat rates at March 31, 2019 .

Environmental Matters — See Note 13 to Financial Statements for a discussion of greenhouse gas emissions, regional haze, state implementation plan and other recent EPA actions as well as related litigation.

RESULTS OF OPERATIONS
Consolidated Financial Results — Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

	Three Months Ended March 31,		Favorable (Unfavorable) \$ Change
	2019	2018	
Operating revenues	\$ 2,923	\$ 765	\$ 2,158
Fuel, purchased power costs and delivery fees	(1,461)	(650)	(811)
Operating costs	(385)	(194)	(191)
Depreciation and amortization	(405)	(153)	(252)
Selling, general and administrative expenses	(182)	(162)	(20)
Operating income (loss)	490	(394)	884
Other income	25	10	15
Other deductions	(2)	(2)	—
Interest expense and related charges	(222)	9	(231)
Impacts of Tax Receivable Agreement	3	(18)	21
Equity in earnings of unconsolidated investment	7	—	7
Income (loss) before income taxes	301	(395)	696
Income tax (expense) benefit	(77)	89	(166)
Net income (loss)	\$ 224	\$ (306)	\$ 530

Three Months Ended March 31, 2019

	Three Months Ended March 31, 2019							
	Retail	ERCOT	PJM	NY/NE	MISO	Asset Closure	Eliminations / Corporate and Other	Vistra Energy Consolidated
Operating revenues	\$ 1,386	\$ 954	\$ 705	\$ 344	\$ 254	\$ —	\$ (720)	\$ 2,923
Fuel, purchased power costs and delivery fees	(1,197)	(333)	(316)	(229)	(151)	—	765	(1,461)
Operating costs	(11)	(185)	(83)	(25)	(64)	(10)	(7)	(385)
Depreciation and amortization	(59)	(132)	(130)	(64)	(3)	—	(17)	(405)
Selling, general and administrative expenses	(101)	(16)	(12)	(10)	(24)	(4)	(15)	(182)
Operating income (loss)	18	288	164	16	12	(14)	6	490
Other income	—	12	—	—	1	—	12	25
Other deductions	—	(2)	—	—	—	—	—	(2)
Interest expense and related charges	(3)	3	(3)	(1)	(2)	—	(216)	(222)
Impacts of Tax Receivable Agreement	—	—	—	—	—	—	3	3
Equity in earnings of unconsolidated investment	—	—	1	6	—	—	—	7
Income (loss) before income taxes	15	301	162	21	11	(14)	(195)	301
Income tax expense	—	—	—	—	—	—	(77)	(77)
Net income (loss)	\$ 15	\$ 301	\$ 162	\$ 21	\$ 11	\$ (14)	\$ (272)	\$ 224

Three Months Ended March 31, 2018

	Retail	ERCOT	Asset Closure	Eliminations / Corporate and Other	Vistra Energy Consolidated
Operating revenues	\$ 972	\$ (533)	\$ 28	\$ 298	\$ 765
Fuel, purchased power costs and delivery fees	(36)	(290)	(27)	(297)	(650)
Operating costs	(4)	(165)	(24)	(1)	(194)
Depreciation and amortization	(76)	(64)	—	(13)	(153)
Selling, general and administrative expenses	(99)	(35)	—	(28)	(162)
Operating income (loss)	757	(1,087)	(23)	(41)	(394)
Other income	14	11	1	(16)	10
Other deductions	—	(2)	—	—	(2)
Interest expense and related charges	—	(8)	—	17	9
Impacts of Tax Receivable Agreement	—	—	—	(18)	(18)
Income (loss) before income taxes	771	(1,086)	(22)	(58)	(395)
Income tax benefit	—	—	—	89	89
Net income (loss)	\$ 771	\$ (1,086)	\$ (22)	\$ 31	\$ (306)

In the first quarter of 2019, we refinanced approximately \$1.3 billion of debt and returned approximately \$236 million to stockholders through share repurchases. Our operating segments delivered strong operating performance with a disciplined focus on cost management, while generating and selling electricity in a safe and reliable manner. Consolidated results increased \$530 million to net income of \$224 million in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The change in results was driven by \$192 million in operating income added in our PJM, NY/NE and MISO segments due to the Merger and a \$636 million increase in operating income in our ERCOT and Retail segments (including \$502 million in increased unrealized gains in those segments), partially offset by a \$231 million increase in interest expense and a \$166 million increase in tax expense.

Interest expense and related charges increased \$231 million to \$222 million in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 and reflected a \$100 million increase in interest expense incurred reflecting long-term debt assumed in the Merger and a \$139 million increase in unrealized mark-to-market losses on interest rate swaps, partially offset by a debt extinguishment gain of \$7 million in 2019. See Note 19 to the Financial Statements.

For the three months ended March 31, 2019, the Impacts of the Tax Receivable Agreement totaled income of \$3 million and reflected a gain of \$19 million due to adjustments to forecasted taxable income and higher net operating losses acquired in the Merger, partially offset by accretion expense of \$16 million. For the three months ended March 31, 2018, the Impacts of the Tax Receivable Agreement reflected accretion expense of \$18 million. See Note 8 to the Financial Statements for discussion of the impacts of the Tax Receivable Agreement Obligation.

For the three months ended March 31, 2019, income tax expense totaled \$77 million and the effective tax rate was 25.6%. For the three months ended March 31, 2018, income tax benefit totaled \$89 million and the effective tax rate was 22.5%. See Note 7 to the Financial Statements for reconciliation of the effective rates to the U.S. federal statutory rate.

Discussion of Adjusted EBITDA

Non-GAAP Measures — In analyzing and planning for our business, we supplement our use of GAAP financial measures with non-GAAP financial measures, including EBITDA and Adjusted EBITDA as performance measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our business that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures included in the tables below, may provide a more complete understanding of factors and trends affecting our business. These non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures and are by definition an incomplete understanding of Vistra Energy and must be considered in conjunction with GAAP measures. In addition, non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

EBITDA and Adjusted EBITDA — We believe EBITDA and Adjusted EBITDA provide meaningful representations of our operating performance. We consider EBITDA as another way to measure financial performance on an ongoing basis. Adjusted EBITDA is meant to reflect the operating performance of our segments for the period presented. We define EBITDA as earnings (loss) before interest expense, income tax expense (benefit) and depreciation and amortization expense. We define Adjusted EBITDA as EBITDA adjusted to exclude (i) gains or losses on the sale or retirement of certain assets, (ii) the impacts of mark-to-market changes on derivatives related to our portfolio, (iii) the impact of impairment charges, (iv) certain amounts associated with fresh-start reporting, acquisitions, dispositions, transition costs or restructurings, (v) non-cash compensation expense, (vi) impacts from the Tax Receivable Agreement and (vii) other material nonrecurring or unusual items.

Because EBITDA and Adjusted EBITDA are financial measures that management uses to allocate resources, determine our ability to fund capital expenditures, assess performance against our peers, and evaluate overall financial performance, we believe they provide useful information for our shareholders.

When EBITDA or Adjusted EBITDA is discussed in reference to performance on a consolidated basis, the most directly comparable GAAP financial measure to EBITDA and Adjusted EBITDA is Net income (loss).

Adjusted EBITDA — Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

	Three Months Ended March 31,		Favorable (Unfavorable) \$ Change
	2019	2018	
Net income (loss)	\$ 224	\$ (306)	\$ 530
Income tax expense	77	(89)	166
Interest expense and related charges	222	(9)	231
Depreciation and amortization (a)	422	173	249
EBITDA before Adjustments	945	(231)	1,176
Unrealized net (gain) loss resulting from hedging transactions	(186)	415	(601)
Fresh start/purchase accounting impacts	16	10	6
Impacts of Tax Receivable Agreement	(3)	18	(21)
Reorganization items and restructuring expenses	—	2	(2)
Non-cash compensation expenses	13	6	7
Transition and merger expenses	18	28	(10)
Other, net	(1)	(7)	6
Adjusted EBITDA	\$ 802	\$ 241	\$ 561

(a) Includes nuclear fuel amortization in the ERCOT segment of \$17 million and \$20 million for the three months ended March 31, 2019 and 2018, respectively.

Three Months Ended March 31, 2019

	Retail	ERCOT	PJM	NY/NE	MISO	Asset Closure	Eliminations / Corporate and Other	Vistra Energy Consolidated
Net income (loss)	\$ 15	\$ 301	\$ 162	\$ 21	\$ 11	\$ (14)	\$ (272)	\$ 224
Income tax expense	—	—	—	—	—	—	77	77
Interest expense and related charges	3	(3)	3	1	2	—	216	222
Depreciation and amortization (a)	59	149	130	64	3	—	17	422
EBITDA before Adjustments	77	447	295	86	16	(14)	38	945
Unrealized net (gain) loss resulting from hedging transactions	164	(251)	(91)	(6)	14	—	(16)	(186)
Fresh start/purchase accounting impacts	14	2	(6)	2	5	—	(1)	16
Impacts of Tax Receivable Agreement	—	—	—	—	—	—	(3)	(3)
Non-cash compensation expenses	—	—	—	—	—	—	13	13
Transition and merger expenses	—	1	1	1	8	—	7	18
Other, net	2	5	2	3	5	1	(19)	(1)
Adjusted EBITDA	<u>\$ 257</u>	<u>\$ 204</u>	<u>\$ 201</u>	<u>\$ 86</u>	<u>\$ 48</u>	<u>\$ (13)</u>	<u>\$ 19</u>	<u>\$ 802</u>

(a) Includes nuclear fuel amortization of \$17 million in ERCOT segment.

Three Months Ended March 31, 2018

	Retail	ERCOT	Asset Closure	Eliminations / Corporate and Other	Vistra Energy Consolidated
Net income (loss)	\$ 771	\$ (1,086)	\$ (22)	\$ 31	\$ (306)
Income tax expense	—	—	—	(89)	(89)
Interest expense and related charges	—	8	—	(17)	(9)
Depreciation and amortization (a)	76	84	—	13	173
EBITDA before Adjustments	847	(994)	(22)	(62)	(231)
Unrealized net (gain) loss resulting from hedging transactions	(655)	1,070	—	—	415
Fresh start accounting impacts	12	(2)	—	—	10
Impacts of Tax Receivable Agreement	—	—	—	18	18
Reorganization items and restructuring expenses	—	—	—	2	2
Non-cash compensation expenses	—	—	—	6	6
Transition and merger expenses	—	2	—	26	28
Other, net	(10)	(6)	—	9	(7)
Adjusted EBITDA	<u>\$ 194</u>	<u>\$ 70</u>	<u>\$ (22)</u>	<u>\$ (1)</u>	<u>\$ 241</u>

(a) Includes nuclear fuel amortization of \$20 million in ERCOT segment.

Adjusted EBITDA increased by \$561 million to \$802 million in the three months ended March 31, 2019 compared to the three months ended March 31, 2018, primarily due to the following:

PJM, MISO and NY/NE segments acquired in the Merger	\$	335
Increase in ERCOT segment driven by higher realized prices		134
Increase in Retail segment driven by ERCOT margins		63
Increase in Asset Closure segment driven by reduced operating expenses due to retirement of facilities in first quarter of 2018		9
Corporate and Other		20
Total	\$	<u>561</u>

Retail Segment — Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

	Three Months Ended March 31,		Favorable (Unfavorable) Change
	2019	2018	
Operating revenues:			
Revenues in ERCOT	\$ 1,025	\$ 949	\$ 76
Revenues in Northeast/Midwest	348	—	348
Amortization expense	(9)	(12)	3
Other revenues	22	35	(13)
Total operating revenues	<u>1,386</u>	<u>972</u>	<u>414</u>
Fuel, purchased power costs and delivery fees:			
Purchases from affiliates	(673)	(345)	(328)
Unrealized net gains (losses) on hedging activities with affiliates	(165)	643	(808)
Delivery fees	(348)	(333)	(15)
Other costs	(11)	(1)	(10)
Total fuel, purchased power costs and delivery fees	<u>(1,197)</u>	<u>(36)</u>	<u>(1,161)</u>
Net income (loss)	<u>\$ 15</u>	<u>\$ 771</u>	<u>\$ (756)</u>
Adjusted EBITDA	<u>\$ 257</u>	<u>\$ 194</u>	<u>\$ 63</u>
Sales volumes (GWh):			
Retail electricity sales volumes:			
Sales volumes in ERCOT	9,782	9,193	589
Sales volumes in Northeast/Midwest	6,551	—	6,551
Total retail electricity sales volumes	<u>16,333</u>	<u>9,193</u>	<u>7,140</u>
Weather (North Texas average) - percent of normal (a):			
Cooling degree days	48.1%	124.9%	
Heating degree days	111.2%	99.5%	

(a) Weather data is obtained from Weatherbank, Inc. For the three months ended March 31, 2019, normal is defined as the average over the 10-year period from 2009 to 2018. For the three months ended March 31, 2018, normal is defined as the average over the 10-year period from 2008 to 2017.

Net income decreased by \$756 million to \$15 million and Adjusted EBITDA increased by \$63 million to \$257 million in the three months ended March 31, 2019 compared to the three months ended March 31, 2018, primarily due to the following:

Favorable margins in ERCOT primarily due to favorable power prices	\$	67
Other		(4)
Change in Adjusted EBITDA	\$	63
Lower depreciation and amortization expenses driven by reduced amortization of the retail customer relationship		17
Unfavorable impact of unrealized net losses on hedging activities		(819)
Higher other expenses		(17)
Change in net income (loss)	\$	(756)

ERCOT Segment — Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

	Three Months Ended March 31,		Favorable (Unfavorable) Change
	2019	2018	
Operating revenues:			
Wholesale electricity sales	\$ 359	\$ 191	\$ 168
Sales to affiliates	358	345	13
Rolloff of unrealized net gains (losses) representing positions settled in the current period	(32)	35	(67)
Unrealized net gains (losses) from changes in fair value	122	(461)	583
Unrealized net gains (losses) on hedging activities with affiliates	147	(643)	790
Other revenues	—	—	—
Operating revenues	<u>954</u>	<u>(533)</u>	<u>1,487</u>
Fuel, purchased power costs and delivery fees:			
Fuel for generation facilities and purchased power costs	(319)	(255)	(64)
Unrealized (gains) losses from hedging activities	14	(1)	15
Ancillary and other costs	(28)	(34)	6
Fuel, purchased power costs and delivery fees	<u>(333)</u>	<u>(290)</u>	<u>(43)</u>
Net income (loss)	<u>\$ 301</u>	<u>\$ (1,086)</u>	<u>\$ 1,387</u>
Adjusted EBITDA	<u>\$ 204</u>	<u>\$ 70</u>	<u>\$ 134</u>
Production volumes (GWh):			
Nuclear facilities	4,618	5,268	(650)
Lignite and coal facilities	6,980	5,436	1,544
Natural gas facilities	8,391	6,391	2,000
Solar facilities	86	—	86
Capacity factors:			
Nuclear facilities	93.0%	103.8%	
Lignite and coal facilities	71.8%	64.0%	
CCGT facilities	48.9%	72.2%	
Market pricing:			
Average ERCOT North power price (\$/MWh)	\$ 24.41	\$ 25.40	\$ (0.99)

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Net income increased by \$1.387 billion to \$301 million and Adjusted EBITDA increased by \$134 million to \$204 million in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 , primarily due to the following:

Favorable margins driven by higher realized power prices and increased volumes of 1,908 GWh driven by facilities acquired in the Merger	\$	120
Lower selling, general and administrative expenses due to lower shared services costs		18
Insurance reimbursement for Comanche Peak		15
Increased operating costs driven by facilities acquired in the Merger		(19)
Change in Adjusted EBITDA	\$	134
Increased depreciation and amortization driven by facilities acquired in the Merger		(65)
Favorable impact of unrealized net gains on hedging activities		1,321
Other		(3)
Change in net income (loss)	\$	1,387

PJM, NY/NE and MISO Segments — Three Months Ended March 31, 2019

	Three Months Ended March 31, 2019		
	PJM	NY/NE	MISO
Operating revenues:			
Energy	\$ 325	\$ 250	\$ 189
Capacity	67	80	13
Unrealized net gains (losses) on hedging activities	59	1	(7)
Sales to affiliates	222	15	78
Unrealized net gains (losses) on hedging activities with affiliates	32	—	(14)
Other revenues	—	(2)	(5)
Operating revenues	\$ 705	\$ 344	\$ 254
Fuel, purchased power costs and delivery fees:			
Fuel for generation facilities and purchased power costs	(316)	(232)	(155)
Fuel for generation facilities and purchased power costs from affiliates	—	—	—
Unrealized gains from hedging activities	—	5	7
Other costs	—	(2)	(3)
Fuel, purchased power costs and delivery fees	\$ (316)	\$ (229)	\$ (151)
Net income	\$ 162	\$ 21	\$ 11
Adjusted EBITDA	\$ 201	\$ 86	\$ 48
Production volumes (GWh)	14,459	4,953	7,156
Capacity factors:			
CCGT facilities	73.7%	48.5%	—%
Coal facilities	65.7%	—%	63.1%
Weather - percent of normal (a):			
Heating degree days	100.3%	100.7%	100.4%
Average Market On-Peak Power Prices (\$/MWh) (b):			
PJM West Hub	\$ 33.94		
AEP Dayton Hub	\$ 32.67		
NYISO Zone C		\$ 33.90	
Massachusetts Hub		\$ 47.79	
Indiana Hub			\$ 33.96
Northern Illinois Hub			\$ 29.92
Average natural gas price - TetcoM3 (\$/MMBtu) (c)	\$ 3.33		
Average natural gas price - Algonquin Citygates (\$/MMBtu) (c)		\$ 5.09	

(a) Reflects cooling degree days or heating degree days for the region based on Weather Services International (WSI) data.

(b) Reflects the average of day-ahead quoted prices for the periods presented and does not necessarily reflect prices we realized.

(c) Reflects the average of daily quoted prices for the periods presented and does not reflect costs incurred by us.

Net income totaled \$162 million, \$21 million and \$11 million and Adjusted EBITDA totaled \$201 million, \$86 million and \$48 million in the three months ended March 31, 2019, for PJM, NY/NE and MISO segments, respectively.

	PJM	NY/NE	MISO
Generation revenue net of fuel	\$ 231	\$ 34	\$ 112
Capacity revenue	67	80	13
Operating costs	(83)	(25)	(64)
Selling, general and administrative expenses	(12)	(10)	(24)
Equity income from unconsolidated investment and other	1	6	—
Other	(3)	1	11
Adjusted EBITDA	\$ 201	\$ 86	\$ 48
Depreciation and amortization	(130)	(64)	(3)
Unrealized net gains (losses) on hedging activities	91	6	(14)
Purchase accounting impacts	6	(2)	(5)
Transition and merger expenses	(1)	(1)	(8)
Other	(5)	(4)	(7)
Net income	\$ 162	\$ 21	\$ 11

Asset Closure Segment — Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

	Three Months Ended March 31,		Favorable (Unfavorable) Change
	2019	2018	
Operating revenues	\$ —	\$ 28	\$ (28)
Fuel, purchased power costs and delivery fees	—	(27)	27
Operating costs	(10)	(24)	14
Selling, general and administrative expenses	(4)	—	(4)
Operating loss	(14)	(23)	9
Other income	—	1	(1)
Net loss	\$ (14)	\$ (22)	\$ 8
Adjusted EBITDA	\$ (13)	\$ (22)	\$ 9
Production volumes (GWh)	—	1,070	(1,070)

Results for the Asset Closure segment reflect the retirement of the Stuart and Killen plants in May 2018 (acquired in the Merger), retirement of the Northeastern waste coal plant in October 2018 and the retirement of the Monticello, Sandow and Big Brown plants in January and February 2018 (see Note 4 to the Financial Statements). Operating costs for the three months ended March 31, 2019 included ongoing costs associated with closing these plants.

Energy-Related Commodity Contracts and Mark-to-Market Activities

The table below summarizes the changes in commodity contract assets and liabilities for the three months ended March 31, 2019 and 2018. The net change in these assets and liabilities, excluding "other activity" as described below, reflects \$186 million in unrealized net gains for the three months ended March 31, 2019 and \$415 million in unrealized net losses for the three months ended March 31, 2018, arising from mark-to-market accounting for positions in the commodity contract portfolio.

	Three Months Ended March 31,	
	2019	2018
Commodity contract net asset (liability) at beginning of period	\$ (850)	\$ (96)
Settlements/termination of positions (a)	(68)	32
Changes in fair value of positions in the portfolio (b)	254	(447)
Other activity (c)	(28)	26
Commodity contract net asset (liability) at end of period	<u>\$ (692)</u>	<u>\$ (485)</u>

- (a) Represents reversals of previously recognized unrealized gains and losses upon settlement/termination (offsets realized gains and losses recognized in the settlement period). The three months ended March 31, 2019 and 2018 include reversals of \$4 million and \$10 million, respectively, of previously recorded unrealized gains related to Vistra Energy beginning balances. The three months ended March 31, 2019 also includes reversal of \$14 million of previously recorded unrealized losses related to commodity contracts acquired in the Merger. Excludes changes in fair value in the month the position settled as well as amounts related to positions entered into, and settled, in the same month.
- (b) Represents unrealized net gains (losses) recognized, reflecting the effect of changes in fair value. Excludes changes in fair value in the month the position settled as well as amounts related to positions entered into, and settled, in the same month.
- (c) Represents changes in fair value of positions due to receipt or payment of cash not reflected in unrealized gains or losses. Amounts are generally related to premiums related to options purchased or sold as well as certain margin deposits classified as settlement for certain transactions executed on the CME.

Maturity Table — The following table presents the net commodity contract liability arising from recognition of fair values at March 31, 2019, scheduled by the source of fair value and contractual settlement dates of the underlying positions.

Source of fair value	Maturity dates of unrealized commodity contract net liability at March 31, 2019				
	Less than 1 year	1-3 years	4-5 years	Excess of 5 years	Total
Prices actively quoted	\$ (129)	\$ 8	\$ (5)	\$ —	\$ (126)
Prices provided by other external sources	(358)	(95)	—	—	(453)
Prices based on models	(42)	(40)	(14)	(17)	(113)
Total	<u>\$ (529)</u>	<u>\$ (127)</u>	<u>\$ (19)</u>	<u>\$ (17)</u>	<u>\$ (692)</u>

FINANCIAL CONDITION**Operating Cash Flows**

Three Months Ended March 31, 2019 Compared to Three Months ended March 31, 2018 — Cash provided by operating activities totaled \$388 million in the three months ended March 31, 2019 compared to cash used in operating activities of \$22 million in the three months ended March 31, 2018 . The favorable change of \$410 million was primarily driven by increased cash from operations reflecting operations acquired in the Merger and an increase in cash provided by margin deposits of \$98 million related to derivative contracts, partially offset by increased interest paid of \$74 million due to the increase of long-term debt obligations due to the Merger.

Depreciation and amortization expense reported as a reconciling adjustment in the statements of condensed consolidated cash flows exceeds the amount reported in the statements of condensed consolidated income (loss) by \$56 million and \$27 million for the three months ended March 31, 2019 and 2018 , respectively. The difference represented amortization of nuclear fuel, which is reported as fuel costs in the statements of consolidated income (loss) consistent with industry practice, and amortization of intangible net assets and liabilities that are reported in various other statements of condensed consolidated income (loss) line items including operating revenues and fuel and purchased power costs and delivery fees.

Financing Cash Flows

Cash used in financing activities totaled \$344 million and \$9 million in the three months ended March 31, 2019 and 2018 , respectively. The increase in cash used in financing activities was driven by:

- cash tender offers to purchase \$1.193 billion of senior unsecured notes assumed in the Merger;
- \$248 million of cash paid for share repurchases in the first quarter of 2019;
- \$61 million of cash dividend paid to stockholders in the first quarter of 2019, and

partially offset by:

- the issuance of \$1.3 billion principal amount of Vistra Operations 5.625% senior unsecured notes due 2027.

Investing Cash Flows

Cash used in investing activities totaled \$149 million and \$77 million in the three months ended March 31, 2019 and 2018 , respectively. Capital expenditures (including nuclear fuel purchases and LTSA prepayments) totaled \$131 million and \$50 million in the three months ended March 31, 2019 and 2018 , respectively.

Debt Activity

See Note 11 to the Financial Statements for details of the Vistra Operations Credit Facilities and other long-term debt.

Available Liquidity

The following table summarizes changes in available liquidity for the three months ended March 31, 2019 :

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>Change</u>
Cash and cash equivalents	\$ 546	\$ 636	\$ (90)
Vistra Operations Credit Facilities — Revolving Credit Facility	1,753	1,135	618
Vistra Operations — Alternative Letter of Credit Facility	25	—	25
Total available liquidity	<u>\$ 2,324</u>	<u>\$ 1,771</u>	<u>\$ 553</u>

The increase in available liquidity to \$2.324 billion in the three months ended March 31, 2019 was primarily driven by cash from operations, the new \$350 million alternative letter of credit facility, \$175 million of additional available capacity under the Revolving Credit Facility and decreased letters of credit postings, partially offset by \$248 million in cash paid for share repurchases, \$153 million of capital expenditures (including nuclear fuel and development and growth expenditures), \$64 million in debt tender offer and other financing fees and a \$61 million dividend paid to shareholders.

Based upon our current internal financial forecasts, we believe that we will have sufficient liquidity to fund our anticipated cash requirements, including those related to our capital allocation initiatives, through at least the next 12 months. Our operational cash flows tend to be seasonal and weighted toward the second half of the year.

Liquidity Effects of Commodity Hedging and Trading Activities

We have entered into commodity hedging and trading transactions that require us to post collateral if the forward price of the underlying commodity moves such that the hedging or trading instrument we hold has declined in value. We use cash, letters of credit and other forms of credit support to satisfy such collateral posting obligations. See Note 11 to the Financial Statements for discussion of the Vistra Operations Credit Facilities.

Exchange cleared transactions typically require initial margin (*i.e.* , the upfront cash and/or letter of credit posted to take into account the size and maturity of the positions and credit quality) in addition to variation margin (*i.e.* , the daily cash margin posted to take into account changes in the value of the underlying commodity). The amount of initial margin required is generally defined by exchange rules. Clearing agents, however, typically have the right to request additional initial margin based on various factors, including market depth, volatility and credit quality, which may be in the form of cash, letters of credit, a guaranty or other forms as negotiated with the clearing agent. Cash collateral received from counterparties is either used for working capital and other business purposes, including reducing borrowings under credit facilities, or is required to be deposited in a separate account and restricted from being used for working capital and other corporate purposes. With respect to over-the-counter transactions, counterparties generally have the right to substitute letters of credit for such cash collateral. In such event, the cash collateral previously posted would be returned to such counterparties, which would reduce liquidity in the event the cash was not restricted.

At March 31, 2019 , we received or posted cash and letters of credit for commodity hedging and trading activities as follows:

- \$331 million in cash has been posted with counterparties as compared to \$361 million posted at December 31, 2018 ;
- \$8 million in cash has been received from counterparties as compared to \$4 million received at December 31, 2018 ;
- \$1.080 billion in letters of credit have been posted with counterparties as compared to \$1.185 billion posted at December 31, 2018 , and
- \$4 million in letters of credit have been received from counterparties as compared to \$12 million received at December 31, 2018 .

Income Tax Payments

In the next 12 months, we do not expect to make federal income tax payments due to Vistra Energy's forecasted loss position in 2018. In February 2019, we received a refund of \$21 million related to Vistra Energy's 2017 federal tax return. We expect to make state income tax payments of approximately \$35 million and no TRA payments in the next 12 months. There were no federal income tax payments for the three months ended March 31, 2019 and 2018 , respectively, and \$4 million in state income tax payments for the three months ended March 31, 2019 .

Financial Covenants

The Credit Facilities Agreement includes a covenant, solely with respect to the Revolving Credit Facility and solely during a compliance period (which, in general, is applicable when the aggregate revolving borrowings and issued revolving letters of credit (in excess of \$300 million) exceed 30% of the revolving commitments), that requires the consolidated first lien net leverage ratio not exceed 4.25 to 1.00. Although the period ended March 31, 2019 was not a compliance period, we would have been in compliance with this financial covenant if it was required to be tested at such date.

See Note 11 to the Financial Statements for discussion of other covenants related to the Vistra Operations Credit Facilities.

Collateral Support Obligations

The RCT has rules in place to assure that parties can meet their mining reclamation obligations. In September 2016, the RCT agreed to a collateral bond of up to \$975 million to support Luminant's reclamation obligations. The collateral bond is effectively a first lien on all of Vistra Operations' assets (which ranks *pari passu* with the Vistra Operations Credit Facilities) that contractually enables the RCT to be paid (up to \$975 million) before the other first lien lenders in the event of a liquidation of our assets. Collateral support relates to land mined or being mined and not yet reclaimed as well as land for which permits have been obtained but mining activities have not yet begun and land already reclaimed but not released from regulatory obligations by the RCT, and includes cost contingency amounts.

The PUCT has rules in place to assure adequate creditworthiness of each REP, including the ability to return customer deposits, if necessary. Under these rules, at March 31, 2019, Vistra Energy has posted letters of credit in the amount of \$55 million with the PUCT, which is subject to adjustments.

The RTOs/ISOs we operate in have rules in place to assure adequate creditworthiness of parties that participate in the markets operated by those RTOs/ISOs. Under these rules, Vistra Energy has posted collateral support totaling \$251 million in the form of letters of credit, \$10 million in the form of a surety bond and \$1 million of cash at March 31, 2019 (which is subject to daily adjustments based on settlement activity with the RTOs/ISOs).

Material Cross Default/Acceleration Provisions

Certain of our contractual arrangements contain provisions that could result in an event of default if there was a failure under financing arrangements to meet payment terms or to observe covenants that could result in an acceleration of payments due. Such provisions are referred to as "cross default" or "cross acceleration" provisions.

A default by Vistra Operations or any of its restricted subsidiaries in respect of certain specified indebtedness in an aggregate amount in excess of \$300 million may result in a cross default under the Vistra Operations Credit Facilities. Such a default would allow the lenders to accelerate the maturity of outstanding balances (approximately \$5.8 billion at March 31, 2019) under such facilities.

Each of Vistra Operations' (or its subsidiaries') commodity hedging agreements and interest rate swap agreements that are secured with a lien on its assets on a pari passu basis with the Vistra Operations Credit Facilities lenders contains a cross default provision. An event of a default by Vistra Operations or any of its subsidiaries relating to indebtedness equal to or above a threshold defined in the applicable agreement that results in the acceleration of such debt, would give such counterparty under these hedging agreements the right to terminate its hedge or interest rate swap agreement with Vistra Operations (or its applicable subsidiary) and require all outstanding obligations under such agreement to be settled.

Under Vistra Operations' senior notes indenture, a default under any document evidencing indebtedness for borrowed money by Vistra Operations or any subsidiary guarantor for failure to pay principal when due at final maturity or that results in the acceleration of such indebtedness in an aggregate amount of \$300 million or more, may result in a cross default under the senior notes.

Each of Vistra Energy's indentures for each series of senior notes issued by Vistra Energy (except with respect to the Consent Senior Notes) and the TEUs, respectively, contain a cross default provision. A default by Vistra Energy, as issuer of each such series of senior notes and the TEUs, respectively, in respect of certain specified indebtedness in an aggregate amount in excess of \$100 million may result in a cross default under the respective indentures of the senior notes and TEUs. Such a default would allow the trustee or noteholders holding at least 25% in principal amount of the respective series of senior notes or TEUs that are outstanding (each such series treated as a separate class) to accelerate the maturity of such portion of the principal amount of all securities of such series of senior notes or TEUs, respectively.

Additionally, we enter into energy-related physical and financial contracts, the master forms of which contain provisions whereby an event of default or acceleration of settlement would occur if we were to default under an obligation in respect of borrowings in excess of thresholds, which may vary by contract.

The Receivables Program contains a cross default provision. The cross default provision applies, among other instances, if Vistra Operations, the performance guarantor, fails to make a payment of principal or interest on any indebtedness that is outstanding in a principal amount of at least \$300 million, or, in the case of TXU Energy, the originator and servicer, in a principal amount of at least \$50 million, or if other events occur or circumstances exist under such indebtedness which give rise to a right of the debtholder to accelerate such indebtedness, or if such indebtedness becomes due before its stated maturity. If this cross default provision is triggered, a termination event under the Receivables Facility would occur and the Receivables Facility may be terminated.

Under the Vistra Operations' alternative letter of credit programs, a default under any document evidencing indebtedness for borrowed money by Vistra Operations or any subsidiary guarantor for failure to pay principal when due at final maturity or that results in the acceleration of such indebtedness in an aggregate amount of \$300 million or more, may result in a termination of the facility.

Guarantees

See Note 13 to the Financial Statements for discussion of guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

COMMITMENTS AND CONTINGENCIES

See Note 13 to the Financial Statements for discussion of commitments and contingencies.

CHANGES IN ACCOUNTING STANDARDS

See Note 1 to the Financial Statements for discussion of changes in accounting standards.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk that in the normal course of business we may experience a loss in value due to changes in market conditions that affect economic factors such as commodity prices, interest rates and counterparty credit. Our exposure to market risk is affected by several factors, including the size, duration and composition of our energy and financial portfolio, as well as the volatility and liquidity of markets. Instruments used to manage this exposure include interest rate swaps to hedge debt costs, as well as exchange-traded, over-the-counter contracts and other contractual arrangements to hedge commodity prices.

Risk Oversight

We manage the commodity price, counterparty credit and commodity-related operational risk related to the competitive energy business within limitations established by senior management and in accordance with overall risk management policies. Interest rate risk is managed centrally by our treasury function. Market risks are monitored by risk management groups that operate independently of the wholesale commercial operations, utilizing defined practices and analytical methodologies. These techniques measure the risk of change in value of the portfolio of contracts and the hypothetical effect on this value from changes in market conditions and include, but are not limited to, position reporting and review, Value at Risk (VaR) methodologies and stress test scenarios. Key risk control activities include, but are not limited to, transaction review and approval (including credit review), operational and market risk measurement, transaction authority oversight, validation of transaction capture, market price validation and reporting, and portfolio valuation and reporting, including mark-to-market valuation, VaR and other risk measurement metrics.

Vistra Energy has a risk management organization that enforces applicable risk limits, including the respective policies and procedures to ensure compliance with such limits, and evaluates the risks inherent in our businesses.

Commodity Price Risk

Our business is subject to the inherent risks of market fluctuations in the price of electricity, natural gas and other energy-related products it markets or purchases. We actively manage the portfolio of generation assets, fuel supply and retail sales load to mitigate the near-term impacts of these risks on results of operations. Similar to other participants in the market, we cannot fully manage the long-term value impact of structural declines or increases in natural gas and power prices.

In managing energy price risk, we enter into a variety of market transactions including, but not limited to, short- and long-term contracts for physical delivery, exchange-traded and over-the-counter financial contracts and bilateral contracts with customers. Activities include hedging, the structuring of long-term contractual arrangements and proprietary trading. We continuously monitor the valuation of identified risks and adjust positions based on current market conditions. We strive to use consistent assumptions regarding forward market price curves in evaluating and recording the effects of commodity price risk.

VaR Methodology — A VaR methodology is used to measure the amount of market risk that exists within the portfolio under a variety of market conditions. The resultant VaR produces an estimate of a portfolio's potential for loss given a specified confidence level and considers, among other things, market movements utilizing standard statistical techniques given historical and projected market prices and volatilities.

Parametric processes are used to calculate VaR and are considered by management to be the most effective way to estimate changes in a portfolio's value based on assumed market conditions for liquid markets. The use of this method requires a number of key assumptions, such as use of (i) an assumed confidence level, (ii) an assumed holding period (*i.e.* , the time necessary for management action, such as to liquidate positions) and (iii) historical estimates of volatility and correlation data. The table below details a VaR measure related to various portfolios of contracts.

VaR for Underlying Generation Assets and Energy-Related Contracts — This measurement estimates the potential loss in value, due to changes in market conditions, of all underlying generation assets and contracts, based on a 95% confidence level and an assumed holding period of 60 days for a forward period through December 2020.

	Three Months Ended March 31, 2019	Year Ended December 31, 2018
Month-end average VaR:	\$ 452	\$ 182
Month-end high VaR:	\$ 520	\$ 267
Month-end low VaR:	\$ 400	\$ 65

The increase in the month-end high VaR risk measure in 2019 is primarily driven by the inclusion of 2020 in our calculations as well as an increase in price and volatility during the quarter.

Interest Rate Risk

At March 31, 2019 , the potential reduction of annual pretax earnings over the next twelve months due to a one percentage-point (100 basis points) increase in floating interest rates on long-term debt totaled approximately \$16 million , taking into account the interest rate swaps discussed in Note 11 to Financial Statements.

Credit Risk

Credit risk relates to the risk of loss associated with nonperformance by counterparties. We minimize credit risk by evaluating potential counterparties, monitoring ongoing counterparty risk and assessing overall portfolio risk. This includes review of counterparty financial condition, current and potential credit exposures, credit rating and other quantitative and qualitative credit criteria. We also employ certain risk mitigation practices, including utilization of standardized master agreements that provide for netting and setoff rights, as well as credit enhancements such as margin deposits and customer deposits, letters of credit, parental guarantees and surety bonds. See Note 16 to the Financial Statements for further discussion of this exposure.

Bankruptcies - We are party to (i) certain gas transportation agreements with PG&E and (ii) a long-term renewable power purchase agreement with PG&E in connection with the Moss Landing battery storage project, which was approved by the California Public Utilities Commission in November 2018. PG&E filed for Chapter 11 bankruptcy protection in January 2019.

As of March 31, 2019 , we had no outstanding accounts receivable from PG&E and accordingly, we have not recorded a reserve related to the pre-petition receivables. While our assumptions and conclusions may change, we could have future impairment losses, or, specifically with respect to the gas transportation agreements, be required to seek alternative, higher-cost fuel transportation methods, if any of the terms of the contracts are not honored by PG&E or the contracts are rejected through the bankruptcy process.

Credit Exposure — Our gross credit exposure (excluding collateral impacts) associated with retail and wholesale trade accounts receivable and net derivative assets arising from commodity contracts and hedging and trading activities totaled \$917 million at March 31, 2019 .

At March 31, 2019 , Retail segment credit exposure totaled \$636 million , including \$630 million of trade accounts receivable and \$6 million related to derivative assets. Cash deposits and letters of credit held as collateral for these receivables totaled \$36 million , resulting in a net exposure of \$600 million . We believe the risk of material loss (after consideration of bad debt allowances) from nonperformance by these customers is unlikely based upon historical experience. Allowances for uncollectible accounts receivable are established for the potential loss from nonpayment by these customers based on historical experience, market or operational conditions and changes in the financial condition of large business customers.

At March 31, 2019 , aggregate ERCOT, PJM, NY/NE and MISO segments credit exposure totaled \$281 million including \$148 million related to derivative assets and \$133 million of trade accounts receivable, after taking into account master netting agreement provisions but excluding collateral impacts.

Including collateral posted to us by counterparties, our net ERCOT, PJM, NY/NE and MISO segments exposure was \$278 million , substantially all of which is with investment grade customers as seen in the following table that presents the distribution of credit exposure at March 31, 2019 . Credit collateral includes cash and letters of credit but excludes other credit enhancements such as guarantees or liens on assets.

	Exposure Before Credit Collateral	Credit Collateral	Net Exposure
Investment grade	\$ 253	\$ —	\$ 253
Below investment grade or no rating	28	3	25
Totals	<u>\$ 281</u>	<u>\$ 3</u>	<u>\$ 278</u>

Significant (10% or greater) concentration of credit exposure exists with four counterparties, which represented an aggregate \$223 million , or 80% , of the total net exposure. We view exposure to these counterparties to be within an acceptable level of risk tolerance due to the counterparties' credit ratings, each of which is rated as investment grade, the counterparties' market role and deemed creditworthiness and the importance of our business relationship with the counterparties. An event of default by one or more counterparties could subsequently result in termination-related settlement payments that reduce available liquidity if amounts such as margin deposits are owed to the counterparties or delays in receipts of expected settlements owed to us.

Contracts classified as "normal" purchase or sale and non-derivative contractual commitments are not marked-to-market in the financial statements and are excluded from the detail above. Such contractual commitments may contain pricing that is favorable considering current market conditions and therefore represent economic risk if the counterparties do not perform.

At March 31, 2019 , interest rate swap exposure in the Corporate and Other non-segment totaled \$2 million . There are no collateral offsets. The counterparty credit rating is investment grade.

FORWARD-LOOKING STATEMENTS

This report and other presentations made by us contain "forward-looking statements." All statements, other than statements of historical facts, that are included in this report, or made in presentations, in response to questions or otherwise, that address activities, events or developments that may occur in the future, including (without limitation) such matters as activities related to our financial or operational projections, capital allocation, capital expenditures, liquidity, dividend policy, business strategy, competitive strengths, goals, future acquisitions or dispositions, development or operation of power generation assets, market and industry developments and the growth of our businesses and operations (often, but not always, through the use of words or phrases such as "intends," "plans," "will likely," "unlikely," "expected," "anticipated," "estimated," "should," "may," "projection," "target," "goal," "objective" and "outlook"), are forward-looking statements. Although we believe that in making any such forward-looking statement our expectations are based on reasonable assumptions, any such forward-looking statement involves uncertainties and risks and is qualified in its entirety by reference to the discussion under Part II, Item 1A. *Risk Factors* and Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in this quarterly report on Form 10-Q and the following important factors, among others, that could cause our actual results to differ materially from those projected in or implied by such forward-looking statements:

- the actions and decisions of judicial and regulatory authorities;
- prohibitions and other restrictions on our operations due to the terms of our agreements;
- prevailing federal, state and local governmental policies and regulatory actions, including those of the legislatures and other government actions of states in which we operate, the U.S. Congress, the FERC, the North American Electric Reliability Corporation, the Texas Reliability Entity, Inc., the public utility commissions of states and locales in which we operate, CAISO, ERCOT, ISO-NE, MISO, NYISO, PJM, the RCT, the NRC, the EPA, the environmental regulatory bodies of states in which we operate, the U.S. Mine Safety and Health Administration and the U.S. Commodity Futures Trading Commission, with respect to, among other things:
 - allowed prices;
 - industry, market and rate structure;
 - purchased power and recovery of investments;
 - operations of nuclear generation facilities;
 - operations of fossil-fueled generation facilities;
 - operations of mines;
 - acquisition and disposal of assets and facilities;
 - development, construction and operation of facilities;
 - decommissioning costs;
 - present or prospective wholesale and retail competition;
 - changes in federal, state and local tax laws, rates and policies, including additional regulation, interpretations, amendments, or technical corrections to The Tax Cuts and Jobs Act of 2017;
 - changes in and compliance with environmental and safety laws and policies, including National Ambient Air Quality Standards, the Cross-State Air Pollution Rule, the Mercury and Air Toxics Standard, regional haze program implementation and greenhouse gas and other climate change initiatives, and
 - clearing over-the-counter derivatives through exchanges and posting of cash collateral therewith;
- expectations regarding, or impacts of, environmental matters, including costs of compliance, availability and adequacy of emission credits, and the impact of ongoing proceedings and potential regulations or changes to current regulations, including those relating to climate change, air emissions, cooling water intake structures, coal combustion byproducts, and other laws and regulations that we are, or could become, subject to, which could increase our costs, result in an impairment of our assets, cause us to limit or terminate the operation of certain of our facilities, or otherwise have a negative financial effect;
- legal and administrative proceedings and settlements;
- general industry trends;
- economic conditions, including the impact of an economic downturn;
- weather conditions, including drought and limitations on access to water, and other natural phenomena, and acts of sabotage, wars or terrorist or cybersecurity threats or activities;
- our ability to collect trade receivables from counterparties;
- our ability to attract and retain profitable customers;
- our ability to profitably serve our customers;
- restrictions on competitive retail pricing;
- changes in wholesale electricity prices or energy commodity prices, including the price of natural gas;
- changes in prices of transportation of natural gas, coal, fuel oil and other refined products;
- sufficiency of, access to, and costs associated with coal, fuel oil, and natural gas inventories and transportation and storage thereof;

- changes in the ability of vendors to provide or deliver commodities as needed;
- beliefs and assumptions about the benefits of state- or federal-based subsidies to our market competition, and the corresponding impacts on us, including if such subsidies are disproportionately available to our competitors;
- the effects of, or changes to, market design and the power and capacity procurement processes in the markets in which we operate;
- changes in market heat rates in the CAISO, ERCOT, ISO-NE, MISO, NYISO and PJM electricity markets;
- our ability to effectively hedge against unfavorable commodity prices, including the price of natural gas, market heat rates and interest rates;
- population growth or decline, or changes in market supply or demand and demographic patterns, particularly in ERCOT, MISO and PJM;
- our ability to mitigate forced outage risk, including managing risk associated with Capacity Performance in PJM and performance incentives in ISO-NE;
- efforts to identify opportunities to reduce congestion and improve busbar power prices;
- access to adequate transmission facilities to meet changing demands;
- changes in interest rates, commodity prices, rates of inflation or foreign exchange rates;
- changes in operating expenses, liquidity needs and capital expenditures;
- commercial bank market and capital market conditions and the potential impact of disruptions in U.S. and international credit markets;
- access to capital, the attractiveness of the cost and other terms of such capital and the success of financing and refinancing efforts, including availability of funds in capital markets;
- our ability to maintain prudent financial leverage;
- our ability to generate sufficient cash flow to make principal and interest payments in respect of, or refinance, our debt obligations;
- our ability to implement our growth strategy, including the completion and integration of mergers, acquisitions and/or joint venture activity and identification and completion of sales and divestitures activity;
- competition for new energy development and other business opportunities;
- inability of various counterparties to meet their obligations with respect to our financial instruments;
- counterparties' collateral demands and other factors affecting our liquidity position and financial condition;
- changes in technology (including large scale electricity storage) used by and services offered by us;
- changes in electricity transmission that allow additional power generation to compete with our generation assets;
- our ability to attract and retain qualified employees;
- significant changes in our relationship with our employees, including the availability of qualified personnel, and the potential adverse effects if labor disputes or grievances were to occur;
- changes in assumptions used to estimate costs of providing employee benefits, including medical and dental benefits, pension and other postretirement employee benefits, and future funding requirements related thereto, including joint and several liability exposure under ERISA;
- hazards customary to the industry and the possibility that we may not have adequate insurance to cover losses resulting from such hazards;
- the impact of our obligations under the TRA;
- our ability to optimize our assets through targeted investment in cost-effective technology enhancements and operations performance initiatives;
- our ability to effectively and efficiently plan, prepare for and execute expected asset retirements and reclamation obligations and the impacts thereof;
- our ability to successfully complete the integration of the businesses of Vistra Energy and Dynegy and our ability to successfully capture the full amount of projected synergies relating to the Merger, and
- actions by credit rating agencies.

Any forward-looking statement speaks only at the date on which it is made, and except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict them. In addition, we may be unable to assess the impact of any such event or condition or the extent to which any such event or condition, or combination of events or conditions, may cause results to differ materially from those contained in or implied by any forward-looking statement. As such, you should not unduly rely on such forward-looking statements.

INDUSTRY AND MARKET INFORMATION

Certain industry and market data and other statistical information used throughout this report are based on independent industry publications, government publications, reports by market research firms or other published independent sources, including certain data published by CAISO, ERCOT, ISO-NE, MISO, NYISO, PJM, the environmental regulatory bodies of states in which we operate and NYMEX. We did not commission any of these publications, reports or other sources. Some data is also based on good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. Industry publications, reports and other sources generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies, publications, reports and other sources is reliable, we have not independently investigated or verified the information contained or referred to therein and make no representation as to the accuracy or completeness of such information. Forecasts are particularly likely to be inaccurate, especially over long periods of time, and we do not know what assumptions were used in preparing such forecasts. Statements regarding industry and market data and other statistical information used throughout this report involve risks and uncertainties and are subject to change based on various factors.

Item 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures in effect at the end of the current period included in this quarterly report on Form 10-Q. Based on the evaluation performed, our principal executive officer and principal financial officer concluded that the disclosure controls and procedures were effective. During the fiscal quarter covered by this quarterly report on Form 10-Q, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. LEGAL PROCEEDINGS**

Reference is made to the discussion in Note 13 to the Financial Statements regarding legal proceedings.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors discussed in Part I, Item 1A. *Risk Factors* in our annual report on Form 10-K for the year ended December 31, 2018. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

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

The following table provides information about our repurchase of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the quarter ended March 31, 2019.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar Amount of Shares that may yet be Purchased under the Program (in millions)
January 1 - January 31, 2019	5,097,738	\$ 23.82	5,097,738	\$ 851
February 1 - February 28, 2019	2,374,718	\$ 26.04	2,374,718	\$ 789
March 1 - March 31, 2019	2,069,161	\$ 25.72	2,069,161	\$ 736
For the quarter ended March 31, 2019	9,541,617	\$ 24.78	9,541,617	\$ 736

In June 2018, we announced that the Board had authorized a share repurchase program under which up to \$500 million of our outstanding stock may be purchased, and in November 2018, we announced that the Board had authorized an incremental share repurchase program under which up to \$1.250 billion of our outstanding stock may be purchased, resulting in an aggregate \$1.750 billion share repurchase program. We intend to implement the program opportunistically from time to time in 2019 and 2020.

Shares of the Company's stock will be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions, pursuant to plans complying with Rule 10b5-1 and 10b-18 under the Exchange Act of 1934 or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the Program will be determined at our discretion and will depend on a number of factors, including the market price of our stock, general market and economic conditions, applicable legal requirements and compliance with the terms of our debt agreements.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Vistra Energy currently owns and operates, or is in the process of reclaiming, 12 surface lignite coal mines in Texas to provide fuel for its electricity generation facilities. Vistra Energy also owns or leases, and is in the process of reclaiming, two waste-to-energy surface facilities in Pennsylvania. These mining operations are regulated by the U.S. Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977, as amended (the Mine Act), as well as other federal and state regulatory agencies such as the RCT and Office of Surface Mining. The MSHA inspects U.S. mines, including Vistra Energy's mines, on a regular basis, and if it believes a violation of the Mine Act or any health or safety standard or other regulation has occurred, it may issue a citation or order, generally accompanied by a proposed fine or assessment. Such citations and orders can be contested and appealed, which often results in a reduction of the severity and amount of fines and assessments and sometimes results in dismissal. Disclosure of MSHA citations, orders and proposed assessments are provided in Exhibit 95.1 to this quarterly report on Form 10-Q.

Item 5. OTHER INFORMATION

In accordance with applicable SEC rules, the following is intended to satisfy the Company's Item 5.02(e) Form 8-K reporting obligations by making timely disclosure in accordance with Item 5(a) of Form 10-Q.

On May 1, 2019, Vistra Energy entered into an Amended and Restated Employment Agreement (the Amendment) with James A. Burke. Pursuant to the Amendment, Mr. Burke's employment agreement with the Company will be extended for an additional term that ends on May 1, 2023 and, thereafter, the Amendment provides for automatic one-year extensions, unless either the Company or Mr. Burke gives 60 days' prior written notice electing not to extend the Amendment.

The foregoing summary highlights certain information contained in the Amendment. It does not contain all the information that may be important to you and is qualified in its entirety by reference to the Amendment attached hereto as Exhibit 10.5 and incorporated herein by reference.

Item 6. EXHIBITS**(a) Exhibits filed or furnished as part of Part II are:**

Exhibits	Previously Filed With File Number*	As Exhibit	
(4) Instruments Defining the Rights of Security Holders, Including Indentures			
4.1	001-38086 Form 8-K (filed February 6, 2019)	4.1	— Indenture for 5.625% Senior Note due 2027, dated as of February 6, 2019, among Vistra Operations Company LLC, as issuer, the Subsidiary Guarantors (as defined therein), and Wilmington Trust, National Association, as Trustee
4.2	001-38086 Form 8-K (filed February 6, 2019)	4.2	— Form of Rule 144A Global Security for 5.625% Senior Note due 2027 (included in Exhibit 4.1)
4.3	001-38086 Form 8-K (filed February 6, 2019)	4.3	— Form of Regulation S Global Security for 5.625% Senior Note due 2027 (included in Exhibit 4.1)
4.4	001-38086 Form 8-K (filed February 6, 2019)	4.4	— Tenth Supplemental Indenture to the 2022 Notes Indenture, dated February 6, 2019, by and among the Company and the Trustee
4.5	001-38086 Form 8-K (filed April 5, 2019)	4.1	— First Amendment to Purchase and Sale Agreement, dated as of April 1, 2019, among TXU Energy Retail Company LLC, Dynegy Energy Services, LLC, and Dynegy Energy Services (East), LLC, each as an originator, and TXU Energy Receivables Company LLC, as purchaser
4.6	001-38086 Form 8-K (filed April 5,	4.2	— First Amendment to Receivables Purchase Agreement, dated as of April 1, 2019, among TXU Energy Receivables Company LLC, as seller, TXU Energy Retail Company LLC, as servicer, Vistra Operations Company LLC, as performance guarantor, certain purchaser agents and purchasers named therein and Credit Agricole Corporate and Investment Bank, as administrator

2019)

(10) Material Contracts

- | | | | | |
|------|---|------|---|--|
| 10.1 | 001-38086
Form 8-K
(filed
January
24, 2019) | 10.1 | — | <u>Purchase Agreement, dated January 22, 2019, by and among Vistra Operations Company LLC and J.P. Morgan Securities LLC, on behalf of itself and several Initial Purchasers named in Schedule I to the Purchase Agreement</u> |
| 10.2 | 001-38086
Form 10-K
(filed
February
28, 2019) | 10.6 | — | <u>Amended and Restated 2016 Omnibus Incentive Plan, effective as of February 26, 2019</u> |
| 10.3 | 001-38086
Form 10-K
(filed
February
28, 2019) | 10.7 | — | <u>Vistra Energy Equity Deferred Compensation Plan for Certain Directors</u> |

Exhibits	Previously Filed With File Number*	As Exhibit	
10.4	001-38086 Form 8-K (filed April 4, 2019)	10.1	— Eighth Amendment to Credit Agreement, dated March 29, 2019, by and among Vistra Operations Company LLC, Vistra Intermediate Company LLC, the other Credit Parties (as defined in the Vistra Operations Credit Agreement) party thereto, Bank of Montreal, Chicago Branch, as new Revolving Loan Lender, Revolving Letter of Credit Issuer and Joint Lead Arranger, the various other Lenders and Letter of Credit Issuers party thereto, and Credit Suisse as Administrative Agent and Collateral Agent
10.5	**		— Amended and Restated Employment Agreement, dated May 1, 2019, between the Company and James A. Burke
(31)	Rule 13a-14(a) / 15d-14(a) Certifications		
31.1	**		— Certification of Curtis A. Morgan, principal executive officer of Vistra Energy Corp., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	**		— Certification of J. William Holden, principal financial officer of Vistra Energy Corp., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32)	Section 1350 Certifications		
32.1	**		— Certification of Curtis A. Morgan, principal executive officer of Vistra Energy Corp., pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	**		— Certification of J. William Holden, principal financial officer of Vistra Energy Corp., pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(95)	Mine Safety Disclosures		
95.1	**		— Mine Safety Disclosures
	XBRL Data Files		
101.INS	**		— XBRL Instance Document
101.SCH	**		— XBRL Taxonomy Extension Schema Document
101.CAL	**		— XBRL Taxonomy Extension Calculation Document
101.DEF	**		— XBRL Taxonomy Extension Definition Document
101.LAB	**		— XBRL Taxonomy Extension Labels Document
101.PRE	**		— XBRL Taxonomy Extension Presentation Document

* Incorporated herein by reference

** Filed herewith

SIGNATURE

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.

Vistra Energy Corp.

By: /s/ CHRISTY DOBRY
Name: Christy Dobry
Title: Vice President and Controller
(Principal Accounting Officer)

Date: May 3, 2019

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”), dated as of May 1, 2019 (the “Effective Date”), is between Vistra Energy Corp. (the “Company”) and James A. Burke (“Executive”).

Recitals :

WHEREAS, the Company (as the successor to TCEH) and Executive previously entered into an employment agreement effective as of October 4, 2016 (the “Original Effective Date”); and

WHEREAS, the Company and Executive desire to amend and restate the employment agreement to reflect the terms upon which Executive shall continue to provide services to the Company.

NOW, THEREFORE, in consideration of the premises and covenants contained herein, and intending to be legally bound hereby, the parties to this Agreement hereby agree as follows:

1. Term.

(a) The term of Executive’s employment under this Agreement shall be effective as of the Effective Date, and shall continue until May 1, 2023 (the “Initial Expiration Date”); provided that on the Initial Expiration Date and each subsequent anniversary of the Initial Expiration Date, the term of Executive’s employment under this Agreement shall be extended for one (1) additional year unless either party provides written notice to the other party at least sixty (60) days prior to the Initial Expiration Date (or any such anniversary, as applicable) that Executive’s employment shall not be so extended (in which case, Executive’s employment shall terminate on the Initial Expiration Date or any such anniversary, as applicable); provided, however, that Executive’s employment under this Agreement may be terminated at any earlier time pursuant to the provisions of Section 5. The period of time from the Effective Date through the termination of this Agreement and Executive’s employment hereunder pursuant to its terms is herein referred to as the “Term”; and the date on which the Term is scheduled to expire (i.e., the Initial Expiration Date or the scheduled expiration of the extended term, if applicable) is herein referred to as the “Expiration Date.”

(b) Executive agrees and acknowledges that the Company has no obligation to extend the Term or to continue Executive’s employment following the Expiration Date, and Executive expressly acknowledges that no promises or understandings to the contrary have been made or reached.

2. Definitions. For purposes of this Agreement, the following terms, as used herein, shall have the definitions set forth below.

(a) “Affiliate” means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person.

(b) “Change in Control” shall, be deemed to occur upon any of the following events:

(i) the acquisition by any Person or related “group” (as such term is used in Sections 13(d) and 14(d) of the U.S. Securities Exchange Act of 1934, as amended, and any successor

thereto (the “Exchange Act”) of Beneficial Ownership (as defined in Rule 13d-3 promulgated under Section 13 of the Exchange Act) of 30% or more (on a fully diluted basis) of either (A) the then-outstanding shares of the common stock of the Company (the “Common Stock”), including Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the “Outstanding Company Common Stock”); or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote in the election of directors (the “Outstanding Company Voting Securities”); but excluding any acquisition by the Company or any of its Affiliates or by any employee benefit plan sponsored or maintained by the Company or any of its Affiliates;

(ii) a change in the composition of the Board such that members of the Board during any consecutive 12-month period (the “Incumbent Directors”) cease to constitute a majority of the Board. Any person becoming a director through election or nomination for election approved by a valid vote of at least two thirds of the Incumbent Directors shall be deemed an Incumbent Director; provided, however, that no individual becoming a director as a result of an actual or threatened election contest, as such terms are used in Rule 14a-12 of Regulation 14A promulgated under the Exchange Act, or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed an Incumbent Director;

(iii) the approval by the shareholders of the Company of a plan of complete dissolution or liquidation of the Company; or

(iv) the consummation of a reorganization, recapitalization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company (a “Business Combination”), or sale, transfer or other disposition of all or substantially all of the business or assets of the Company to an entity that is not an Affiliate of the Company (a “Sale”), unless immediately following such Business Combination or Sale: (A) more than 50% of the total voting power of the entity resulting from such Business Combination or the entity that acquired all or substantially all of the business or assets of the Company in such Sale (in either case, the “Surviving Company”), or the ultimate parent entity that has Beneficial Ownership of sufficient voting power to elect a majority of the board of directors (or analogous governing body) of the Surviving Company (the “Parent Company”), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination or Sale (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination or Sale, (B) no Person or related group of Persons (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company), is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) and (C) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination or Sale were Board members at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination or Sale.

(c) “Cause” means (i) Executive’s willful and continued failure to perform Executive’s duties with the Company; (ii) Executive’s willful and continued failure to follow and comply

with the written policies of the Company as in effect from time to time; (iii) Executive's willful commission of an act of fraud or dishonesty resulting in economic or financial injury to the Company; (iv) Executive's willful engagement in illegal conduct or gross misconduct; (v) Executive's willful breach of this Agreement; or (vi) Executive's indictment for, conviction of, or a plea of guilty or nolo contendere to any felony or other crime involving moral turpitude. No act or failure to act will be treated as willful if it is done, or omitted to be done, by Executive in good faith and with a good faith belief that such act or omission was in the best interests of the Company.

(d) "Control" (including, with correlative meanings, the terms "Controlled by" and "under common Control with"), as used with respect to any Person, means the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by contract.

(e) "Disability" means Executive would be entitled to long-term disability benefits under the Company's long-term disability plan as in effect from time to time, without regard to any waiting or elimination period under such plan and assuming for the purpose of such determination that Executive is actually participating in such plan at such time. If the Company does not maintain a long-term disability plan, "Disability" means Executive's inability to perform Executive's duties and responsibilities hereunder on a full-time basis for a consecutive period of one hundred eighty (180) days due to physical or mental illness or incapacity that is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to Executive or Executive's legal representative.

(f) "Good Reason" means the occurrence, without the consent of Executive, of either of the following events: (i) any material diminution of, or modification to, Executive's title, duties, responsibilities, authorities, or terms of employment set forth in Section 3, or a requirement that Executive report to someone other than the Chief Executive Officer of the Company ("the Chief Executive Officer") as of the Effective Date or the Board of Directors of the Company (the "Board"), after the first anniversary of the Effective Date; or, (ii) any breach by the Company of any of its material obligations to Executive. Prior to resigning for Good Reason, Executive shall give written notice to the Company of the facts and circumstances claimed to provide a basis for such resignation not more than sixty (60) days following Executive's knowledge of such facts and circumstances, and the Company shall have ten (10) business days after receipt of such notice to cure (and if so cured, Executive shall not be permitted to resign for Good Reason in respect thereof) and Executive shall resign within ten (10) business days following the Company's failure to cure; provided that, in the event that the circumstances giving rise to Executive's resignation are due to a change in reporting structure as described in (i) above, Executive's resignation shall be effective six (6) months following such change unless an earlier date is determined by the Company.

(g) "Person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, unincorporated entity, or other entity.

3. Duties and Responsibilities. The Company employs Executive, and Executive accepts employment, subject to the terms and conditions contained herein, during the Term, as the Executive Vice President and Chief Operating Officer. During the Term, Executive agrees to be employed by and devote all of Executive's business time and attention to the Company and the promotion of its interests and to use Executive's best efforts to faithfully and diligently serve the Company; provided, however, that, to the extent that such activities do not significantly interfere with the performance of Executive's duties, services, and responsibilities under this Agreement, Executive shall be permitted to (a) manage Executive's personal, financial, and legal affairs, (b) serve on civic or charitable boards and committees of such boards and (c) to the extent approved by the Board pursuant to a duly authorized resolution of the Board, serve on

corporate boards and committees of such boards. Executive will report solely to the Chief Executive Officer. Executive will perform such lawful duties and responsibilities as are commensurate with Executive's titles and positions, and such other duties and responsibilities commensurate with Executive's titles and positions as may be reasonably requested by the Chief Executive Officer and the Board from time to time. Executive will have the authority customarily exercised by an individual serving as an Executive Vice President and Chief Operating Officer of a corporation of the size and nature of the Company. Executive's place of employment will be in Dallas, Texas.

4. Compensation and Related Matters. (a) Base Salary. During the Term, Executive shall receive an aggregate annual base salary (" Base Salary ") at an initial rate of \$800,000, payable in accordance with the Company's applicable payroll practices. Base Salary shall be reviewed annually by the Board and increased (but not decreased) in the Board's sole discretion. References in this Agreement to Base Salary shall be deemed to refer to the most recently effective annual base salary rate.

(b) Annual Bonus. During the Term, Executive shall be eligible to receive a cash bonus (the " Annual Bonus ") for each year (or portion thereof), provided that, except as otherwise provided herein, Executive has remained employed by the Company as of the applicable payment date. Executive's target bonus opportunity for any particular year (the " Target Bonus ") shall be 100% of Base Salary, and Executive's maximum bonus opportunity shall be 200% of the Target Bonus. The Annual Bonus shall be subject to performance metrics approved by the Board based on key short-term objectives and shall be at the full discretion of the Board. Any Annual Bonus shall be paid in the fiscal year following the fiscal year to which such Annual Bonus relates, at the same time as annual bonuses are paid to all other senior executives.

(c) Equity Compensation. Executive shall be entitled to receive equity compensation awards as described in Exhibit A.

(d) Benefits and Perquisites. During the Term, Executive shall be entitled to participate in the benefit plans (including, without limitation, life insurance) and programs and receive perquisites that are provided by the Company from time to time for its senior executives generally, subject to the terms and conditions of such plans and programs, as they may be amended from time to time, and commensurate with Executive's position. During the Term, Executive shall be entitled to up to \$15,000 per year for tax and financial planning.

(e) Business Expense Reimbursements. During the Term, the Company shall promptly reimburse Executive for Executive's reasonable and necessary business expenses in accordance with the Company's then-prevailing policies and procedures for expense reimbursement (which shall include appropriate itemization and substantiation of expenses incurred).

(f) Indemnification. The Company shall indemnify and hold harmless Executive, to the fullest extent permitted by law and the Company's governing documents, against all claims, expenses, damages, liabilities, and losses incurred by Executive (whether before or after the Original Effective Date) by reason of the fact that Executive is or was, or had agreed to become, a consultant, director, officer, employee, agent, or fiduciary of the Company or any of its subsidiaries or Affiliates or predecessors of any of the foregoing, or any benefit plan of any of the foregoing, or is or was serving at the request of the Company as a consultant, director, officer, partner, venturer, proprietor, trustee, employee, agent, fiduciary, or similar functionary of another corporation, partnership, joint venture, business, person, trust, employee benefit plan, or other entity. The Company shall provide Executive with customary directors' and officers' liability insurance coverage both during and after the Term with regard to matters occurring during employment or while otherwise providing services to, or serving at the request of, the Company or any of its subsidiaries or

Affiliates, or any benefit plan of any of the foregoing, which coverage shall be at a level at least equal to the greatest level being maintained at such time for any current officer or director and shall continue until such time as suits can no longer be brought against Executive as a matter of law. Executive will be entitled to advancement of expenses in connection with any claim in the same manner and to the same extent to which any other officer or director of the Company is entitled. Notwithstanding the foregoing, the Company shall not be required to indemnify or advance expenses to Executive in connection with (i) any dispute in connection with this Agreement or Executive's employment hereunder; (ii) any action, claim, or proceeding initiated by Executive against the Company unless such action, claim, or proceeding is approved in advance by the Board in writing or (iii) any liabilities, damages, claims or expenses incurred that are attributable to Executive's fraud, bad faith, willful misconduct, or gross negligence.

5. Termination of Employment. (a) Executive's employment under this Agreement may be terminated by either party at any time and for any reason; provided, however, that Executive shall be required to give the Company at least sixty (60) days' advance written notice of any voluntary resignation of Executive's employment hereunder (other than resignation for Good Reason, which shall be subject to the notice provisions set forth in Section 2(f)) (and in such event the Company in its sole discretion may elect to accelerate Executive's date of termination of employment, it being understood that such termination shall still be treated as a voluntary resignation without Good Reason for purposes of this Agreement). Notwithstanding the foregoing, Executive's employment shall terminate automatically upon Executive's death.

(b) Following any termination of Executive's employment under this Agreement, except as provided under Sections 5(c), 5(d), and 5(e), the obligations of the Company to pay or provide Executive with compensation and benefits under Section 4 shall cease, and the Company shall have no further obligations to provide compensation or benefits to Executive hereunder, except (i) for payment of any accrued but unpaid Base Salary and any accrued but unused vacation and for payment of any unreimbursed expenses under Section 4(e), in each case accrued or incurred through the date of termination of employment, payable as soon as practicable and in all events within thirty (30) days following the date of termination of employment, (ii) as explicitly set forth in any other benefit plans, programs, or arrangements applicable to terminated employees in which Executive participates (including, without limitation, equity award agreements), other than severance plans or policies, and (iii) as otherwise expressly required by applicable law. For the avoidance of doubt, except as otherwise provided below, any Unpaid Annual Bonus (as defined below) is forfeited if Executive's employment is terminated for any reason.

(c) If Executive's employment under this Agreement is terminated (i) by the Company without Cause (other than due to death or Disability), (ii) by Executive for Good Reason, or (iii) due to expiration of the Term on the Expiration Date as a result of the Company delivering a notice of non-renewal as contemplated by Section 1, in addition to the payments and benefits specified in Section 5(b), Executive shall be entitled to receive: (i) severance pay in an aggregate amount (the "Severance Pay") equal to, two times (2x) the sum of (A) Base Salary plus (B) the prior year's Annual Bonus; (ii) a prorated Annual Bonus in respect of the fiscal year of termination equal to the product of (x) the amount of Annual Bonus that would have been payable to Executive had Executive's employment not so terminated based on actual performance measured through the fiscal year of termination, and (y) a fraction, the numerator of which is the number of days elapsed in the Company's fiscal year in which the termination occurs through such termination and the denominator of which is the number of days in such fiscal year (the "Prorated Bonus"); (iii) any accrued but unpaid Annual Bonus in respect of the fiscal year prior to the fiscal year of termination (the "Unpaid Annual Bonus"); and (iv) continued health insurance benefits under the terms of the applicable Company benefit plans for twenty-four (24) months, subject to Executive's payment of the cost of such benefits to the same extent that active employees of the Company are required to pay for such benefits from

time to time; provided, however, that such continuation coverage shall end earlier upon Executive's becoming eligible for comparable coverage under another employer's benefit plans; and provided, further, that to the extent that the provision of such continuation coverage is not permitted under the terms of the Company benefit plans or would result in an adverse tax consequence to the Company, the Company may alternatively provide Executive with a monthly cash payment in an amount equal to the applicable COBRA premium that Executive would otherwise be required to pay to obtain COBRA continuation coverage for such benefits for twenty-four (24) months (assuming that COBRA continuation coverage were available for such period) (minus the cost of such benefits to the same extent that active employees of the Company are required to pay for such benefits from time to time) (the "Healthcare Severance Benefits"), commencing as provided in Section 23(c). The Severance Pay shall be paid in equal installments during the twenty-four (24) month period following Executive's termination in accordance with the Company's regular payroll practices, but no less frequently than monthly, and commencing as provided in Section 23(c) below. The Unpaid Annual Bonus shall be paid on the date bonuses are paid to other executives during the fiscal year of Executive's termination and the Prorated Bonus shall be paid on the date bonuses are paid to other executives of the Company in the year following the fiscal year of Executive's termination.

(d) Notwithstanding anything herein to the contrary, if at any time within eighteen (18) months following a Change in Control, Executive's employment under this Agreement is terminated (i) by the Company without Cause (other than due to death or Disability), (ii) by Executive for Good Reason, or (iii) due to expiration of the Term on the Expiration Date as a result of the Company delivering a notice of non-renewal as contemplated by Section 1, then Executive, in lieu of any of the amounts and benefits described in Section 5(c) and in addition to the payments and benefits specified in Section 5(b), shall be entitled to receive (i) the Unpaid Annual Bonus, (ii) 2.99 times the sum of (A) Base Salary plus (B) Target Bonus (the "CIC Severance Pay"), (iii) the product of (x) the Target Bonus, and (y) a fraction, the numerator of which is the number of days elapsed in the Company's fiscal year in which the termination occurs through such termination and the denominator of which is the number of days in such fiscal year (the "Prorated CIC Bonus"), and (iv) the Healthcare Severance Benefits for twenty-four (24) months (as described above and commencing as provided in Section 23(c)). The CIC Severance Pay and the Prorated CIC Bonus shall be paid in cash in a lump sum on the first payroll following the satisfaction of the Release Condition, subject to Section 23(c); provided, however, if the Change in Control does not constitute a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation" within the meaning of Section 409A(a)(2)(A)(v) of the Internal Revenue Code of 1986, as amended (the "Code"), the portion of the CIC Severance Pay that is not in excess of the Severance Pay that would have been payable upon such termination if Section 5(c) applied shall be paid to Executive in equal monthly installments during the twenty-four (24) month period following Executive's termination in accordance with the Company's regular payroll practices, but no less frequently than monthly, and commencing as provided in Section 23(c) below, and the portion of the CIC Severance Pay in excess of such amount shall be paid to Executive in a lump sum 60 days after the consummation of the Change in Control. The Unpaid Annual Bonus shall be paid on the date bonuses are paid to other executives during the fiscal year of Executive's termination.

(e) If Executive's employment under this Agreement is terminated due to death or Disability, in addition to the payments and benefits specified in Section 5(b), Executive shall be entitled to receive (i) the Prorated Bonus, paid on the date bonuses are paid to other executives of the Company in the year following the fiscal year of Executive's termination and (ii) the Unpaid Annual Bonus, paid on the date bonuses are paid to other executives of the Company in the fiscal year of Executive's termination.

(f) Executive's entitlement to the payments and benefits set forth in Sections 5(c) and 5(d) shall be conditioned upon Executive's having provided an irrevocable waiver and release of claims

in favor of the Company, its Affiliates, their respective predecessors and successors, and all of the respective current or former directors, officers, employees, shareholders, partners, members, agents, or representatives of any of the foregoing (collectively, the “Released Parties”), substantially in the form attached hereto as Exhibit B (the “Release”), that has become effective in accordance with its terms within sixty (60) days following Executive’s termination of employment (the “Release Condition”), and Executive’s continued compliance with Sections 6 and 7 hereof.

(g) Upon termination of Executive’s employment for any reason, and regardless of whether Executive continues as a consultant to the Company, upon the Company’s request Executive agrees to resign, as of the date of such termination of employment or such other date requested, from the Board and any committees thereof, and, if applicable, from the board of directors (and any committees thereof) of any Affiliate of the Company to the extent Executive is then serving thereon. The Company’s obligations to make the payments provided for in this Agreement are subject to set-off for any undisputed amounts owed by Executive, to the extent permitted by Section 409A (as defined below) and any Company clawback policy.

(h) The payment of any amounts accrued under any benefit plan, program, or arrangement in which Executive participates shall be subject to the terms of the applicable plan, program, or arrangement, and any elections Executive has made thereunder.

(i) Following any termination of Executive’s employment, Executive shall have no obligation to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement. There shall be no offset against amounts due Executive under this Agreement on account of any remuneration attributable to later employment, consultancy, or other remunerative activity of Executive.

6. Confidential Information.

(a) Executive acknowledges that the Company and its Affiliates continually develop Confidential Information (as defined below), that Executive may develop Confidential Information for the Company or its Affiliates and that Executive may learn of Confidential Information during the course of Executive’s employment. Executive will comply with the policies and procedures of the Company and its Affiliates for protecting Confidential Information and shall not disclose to any Person or use, other than as required by applicable law or for the proper performance of Executive’s duties and responsibilities to the Company and its Affiliates, any Confidential Information obtained by Executive incident to Executive’s employment or other association with the Company or any of its Affiliates. Executive understands that this restriction shall continue to apply after Executive’s employment terminates, regardless of the reason for such termination.

(b) All documents, records, tapes, and other media of every kind and description relating to the business, present or otherwise, of the Company or its Affiliates and any copies, in whole or in part, thereof (the “Documents”), whether or not prepared by Executive, shall be the sole and exclusive property of the Company and its Affiliates. Executive shall safeguard all Documents and shall surrender to the Company at the time Executive’s employment terminates, or at such earlier time or times as the Company may specify, all Documents then in Executive’s possession or control. Executive shall immediately return such Documents and other property to the Company upon the termination of Executive’s employment and, in any event, at the Company’s request. Executive further agrees that any property situated on the premises of, and owned by, the Company or its Affiliates, including disks and other storage media, filing cabinets, or other work areas, is subject to inspection by the Company’s personnel at any time with or without notice.

(c) Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Securities and Exchange Commission ("SEC"). Executive further understands that this Agreement does not limit Executive's ability to communicate with the SEC or otherwise participate in any investigation or proceeding that may be conducted by the SEC, including providing documents or other information, without notice to the Company. This Agreement does not limit Executive's right to receive an award for information provided to the SEC. This Section 6(c) applies only for the period of time that the Company is subject to the Dodd-Frank Act.

(d) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally known by others with whom they compete or do business, or with whom any of them plans to compete or do business and any and all information, publicly known in whole or in part or not, which, if disclosed by the Company or its Affiliates would assist in competition against them. Confidential Information includes, without limitation, such information relating to (i) the development, research, testing, manufacturing, marketing and financial activities of the Company and its Affiliates, (ii) all products planned, researched, developed, tested, manufactured, sold, licensed, leased or otherwise distributed or put into use by the Company and its Affiliates, together with all services provided or planned by the Company or any of its Affiliates, during Executive's employment, (iii) the costs, sources of supply, financial performance and strategic plans of the Company and its Affiliates, (iv) the identity and special needs of the customers of the Company and its Affiliates and (v) the people and organizations with whom the Company and its Affiliates have business relationships and those relationships. Confidential Information also includes any information that the Company or any of its Affiliates have received, or may receive hereafter, belonging to customers or others with any understanding, express or implied, that the information would not be disclosed.

7. Restricted Activities. Executive agrees that some restrictions on Executive's activities during and after Executive's employment are necessary to protect the goodwill, Confidential Information, and other legitimate interests of the Company and its Affiliates. Following the Original Effective Date, the Company has provided and will continue to provide Executive with access to and knowledge of Confidential Information and trade secrets and will place Executive in a position of trust and confidence with the Company, and Executive will benefit from the Company's goodwill. The restrictive covenants below are necessary to protect the Company's legitimate business interests in its Confidential Information, trade secrets and goodwill. Executive further understands and acknowledges that the Company's ability to reserve these for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company and that the Company would be irreparably harmed if Executive violates the restrictive covenants below. In recognition of the consideration provided to Executive as well as the imparting to Executive of Confidential Information, including trade secrets, and for other good and valuable consideration, Executive hereby agrees as follows:

(a) While Executive is employed by the Company and for twenty-four (24) months after Executive's employment terminates for any reason, whether before or after the Expiration Date (in the aggregate, the "Non-Competition Period"), Executive shall not, directly or indirectly, whether as owner, partner, investor (other than a passive investor of less than 5% in a publicly traded company), consultant, agent, employee, co-venturer, or otherwise, (i) compete with the business of the Company or any of its subsidiaries in any location where the Company or its subsidiaries conducts business (a "Competitive Business") or (ii) undertake any planning for any Competitive Business. With respect to the portion of the Non-Competition Period that follows Executive's termination of employment, the determination of whether a business is a Competitive Business shall be made based on the scope and location of the businesses conducted or planned to be conducted by the Company and its subsidiaries as of the date of such termination.

(b) Executive agrees that, during Executive's employment with the Company, Executive will not undertake any outside activity, whether or not competitive with the business of the Company or its Affiliates, that would reasonably give rise to a conflict of interest or otherwise interfere with Executive's duties and obligations to the Company or any of its Affiliates.

(c) Executive further agrees that, during the Non-Competition Period, Executive will not solicit, hire, or attempt to solicit or hire any employee of the Company or any of its Affiliates (or any individual who was employed by the Company or any of its Affiliates during the one (1) year period prior to Executive's termination), assist in such hiring by any Person, encourage any such employee to terminate his or her relationship with the Company or any of its Affiliates, or solicit or encourage any customer, client, or vendor of the Company or any of its Affiliates to terminate or diminish its relationship with them, or, in the case of a customer, to conduct with any Person any business or activity which such customer conducts with the Company or any of its Affiliates.

(d) Executive shall not, whether in writing or orally, malign, denigrate, or disparage the Company or its Affiliates, or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents, or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publish (whether in writing or orally) statements that tend to portray any of the aforementioned parties in an unfavorable light. The Company shall direct its directors and officers not to, whether in writing or orally, malign, denigrate, or disparage Executive with respect to any of Executive's past or present activities, or otherwise publish (whether in writing or orally) statements that are intended to portray Executive in an unfavorable light.

(e) Executive's and the Company's obligations under this Section 7, as applicable, shall continue beyond the termination of Executive's employment with the Company.

8. Notification Requirement. Through and up to the conclusion of the Non-Competition Period, Executive shall give notice to the Company of each new business activity he plans to undertake, at least seven (7) days prior to beginning any such activity. Such notice shall state the name and address of the Person for whom such activity is undertaken and the nature of Executive's business relationship(s) and position(s) with such Person.

9. Intellectual Property Rights . (a) Executive agrees that the results and proceeds of Executive's services for the Company (including, but not limited to, any trade secrets, products, services, processes, know-how, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, writing and other works of authorship) resulting from services performed while an employee of the Company and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived, or reduced to practice or learned by Executive, either alone or jointly with others (collectively, "Inventions"), shall be works-made-for-hire and the Company shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright, and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized, or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to Executive whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights which do not accrue to the Company under the immediately preceding sentence, then Executive hereby irrevocably assigns and agrees to assign any and all of Executive's right, title, and interest thereto, including any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized, or developed, to the

Company, and the Company shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company without any further payment to Executive whatsoever. As to any Invention that Executive is required to assign, Executive shall promptly and fully disclose to the Company all information known to Executive concerning such Invention.

(b) Executive agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall do any and all things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including the execution of appropriate copyright and patent applications or assignments. To the extent that Executive has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, Executive unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 9(b) is subject to and shall not be deemed to limit, restrict, or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of the Company's being Executive's employer. Executive shall execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Executive shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. Executive's obligations under this Section 9 shall continue beyond the termination of Executive's employment with the Company.

(c) Executive hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that Executive now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

10. Remedies and Injunctive Relief. Executive acknowledges that a violation by Executive of any of the covenants contained in Sections 6, 7, 8, or 9 would cause irreparable damage to the Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Executive agrees that, notwithstanding any provision of this Agreement to the contrary, the Company shall be entitled (without the necessity of showing economic loss or other actual damage) to injunctive relief (including temporary restraining orders, preliminary injunctions, and permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Sections 6, 7, 8, or 9 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Company may have for damages under this Agreement or otherwise, and all of the Company's rights shall be unrestricted.

11. Representations; Advice of Counsel. (a) Executive represents, warrants, and covenants that as of the date hereof: (i) Executive has the full right, authority, and capacity to enter into this Agreement and perform Executive's obligations hereunder, (ii) Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of Executive's duties and obligations to the Company hereunder during or after the Term, and (iii) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment, or agreement to which Executive is subject.

(b) Prior to execution of this Agreement, Executive was advised by the Company of Executive's right to seek independent advice from an attorney of Executive's own selection regarding this Agreement. Executive acknowledges that Executive has entered into this Agreement knowingly and voluntarily and with full knowledge and understanding of the provisions of this Agreement after being given

the opportunity to consult with counsel. Executive further represents that in entering into this Agreement, Executive is not relying on any statements or representations made by any of the Company's directors, officers, employees, or agents that are not expressly set forth herein, and that Executive is relying only upon Executive's own judgment and any advice provided by Executive's attorney.

(c) The Company represents, warrants, and covenants that as of the date hereof: (i) the Company has the full right, authority, and capacity to enter into this Agreement and perform the Company's obligations hereunder, (ii) the Company is not bound by any agreement that conflicts with or prevents or restricts the full performance of the Company's obligations to Executive hereunder during or after the Term, and (iii) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment, or agreement to which the Company is subject.

12. Cooperation. Executive agrees that, upon reasonable notice and without the necessity of the Company's obtaining a subpoena or court order, Executive shall provide reasonable cooperation in connection with any suit, action, or proceeding (or any appeal from any suit, action, or proceeding), and any investigation or defense of any claims asserted against the Company or its Affiliates, that relates to events occurring during Executive's employment with the Company and its Affiliates as to which Executive may have relevant information (including but not limited to furnishing relevant information and materials to the Company or its designee and providing testimony at depositions and at trial); provided, that with respect to such cooperation occurring following termination of employment, the Company shall reimburse Executive for expenses reasonably incurred in connection therewith.

13. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such federal, state, local, non-U.S., and other taxes as are required to be withheld pursuant to any applicable law or regulation.

14. Assignment. Neither the Company nor Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; provided, that the Company may assign its rights under this Agreement without the consent of Executive to a successor to substantially all of the business of the Company in the event that the Company shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization, or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization, or other entity. This Agreement shall inure to the benefit of and be binding upon the Company and Executive, and their respective successors, executors, administrators, heirs, and permitted assigns.

15. Governing Law; No Construction Against Drafter. This Agreement shall be deemed made in the State of Delaware, and the validity, interpretation, construction, and performance of this Agreement in all respects shall be governed by the laws of the State of Delaware without regard to its principles of conflicts of law. No provision of this Agreement or any related document will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party's having or being deemed to have structured or drafted such provision.

16. Consent to Jurisdiction; Waiver of Jury Trial. (a) Except as otherwise specifically provided herein, Executive and the Company each hereby irrevocably submit to the exclusive jurisdiction of the federal courts located within the State of Delaware (or, if subject matter jurisdiction in such courts are not available, in any state court located within the State of Delaware) over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 16(a); provided, however, that nothing herein shall preclude either

party from bringing any suit, action, or proceeding in any other court for the purpose of enforcing the provisions of this Section 16 or enforcing any judgment obtained by either party.

(b) The agreement of the parties to the forum described in Section 16(a) is independent of the law that may be applied in any suit, action, or proceeding, and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action, or proceeding brought in an applicable court described in Section 16(a), and the parties agree that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action, or proceeding brought in any applicable court described in Section 16(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action, or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 20.

(d) 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 suit, action, or proceeding arising out of or relating to this Agreement. Each party hereto (i) certifies that no representative, agent, or attorney of any other party has represented, expressly or otherwise, that such party would not, in the event of any action, suit, or proceeding, seek to enforce the foregoing waiver, and (ii) acknowledges that it and the other party hereto has been induced to enter into this Agreement by, among other things, the mutual waiver and certifications in this Section 16(d).

(e) Each party shall bear his or her or its own costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement.

17. Amendment; No Waiver; Severability. (a) No provisions of this Agreement may be amended, modified, waived, or discharged except by a written document signed by Executive and a duly authorized officer of the Company (other than Executive). The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

(b) If any term or provision of this Agreement is invalid, illegal, or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party; provided, that in the event that any court of competent jurisdiction shall finally hold in a non-appealable judicial determination that any provision of Sections 6 through 10 (whether in whole or in part) is void or constitutes an unreasonable restriction against Executive, such provision shall not be rendered void but shall be deemed modified to the minimum extent necessary to make such provision enforceable for the longest duration and the greatest scope as such court may determine constitutes a reasonable restriction under the circumstances.

Revenue Service guidance) as in effect from time to time. The parties intend that any amounts payable hereunder that could constitute “deferred compensation” within the meaning of Section 409A will be compliant with Section 409A or exempt from Section 409A.

(b) Notwithstanding anything in this Agreement to the contrary, the following special rule shall apply, if and to the extent required by Section 409A, in the event that (i) Executive is deemed to be a “specified employee” within the meaning of Code Section 409A(a)(2)(B)(i) (as determined in accordance with the methodology established by the Company as in effect on the date of Executive’s “separation from service” (within the meaning of Treasury Regulations § 1.409A-1(h)), (ii) amounts or benefits under this Agreement or any other program, plan, or arrangement of the Company or a controlled group affiliate thereof are due or payable on account of separation from service, and (iii) Executive is employed by a public company or a controlled group affiliate thereof: payments hereunder that are “deferred compensation” subject to Section 409A that would be made to Executive prior to the date that is six (6) months after the date of Executive’s separation from service shall be made within 10 business days after such six (6) month date or, if earlier, ten (10) days following the date of Executive’s death; following any applicable delay, all such delayed payments, without interest will be paid in a single lump sum on the earliest permissible payment date.

(c) Except to the extent required to be delayed pursuant to Section 23(b), any payment or benefit due or payable on account of Executive’s separation from service to which this Section 23(c) applies shall be paid or commence, as applicable, upon the first scheduled payroll date immediately after the date the Release Condition is satisfied (the “Release Effective Date”); provided that, to the extent that such payment or benefit represents a “deferral of compensation” within the meaning of Section 409A and the sixty (60) day period following Executive’s separation from service spans two (2) taxable years, payment shall not be made or commence prior to January 1 of the second taxable year. The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive’s termination of employment, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive’s termination of employment.

(d) Each payment made under this Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a “deferral of compensation” subject to Section 409A to the extent provided in the exceptions in Treasury Regulations §§ 1.409A-1(b)(4) (“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Section 409A, and shall be paid under any such exception to the maximum extent permitted. For purposes of this Agreement, with respect to payments of any amounts that are considered to be “deferred compensation” subject to Section 409A, references to “termination of employment,” “termination,” or words and phrases of similar import, shall be deemed to refer to Executive’s “separation from service” as defined in Section 409A, and shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment under this Agreement.

(e) Notwithstanding anything to the contrary in this Agreement, any payment or benefit under this Agreement or otherwise that is eligible for exemption from Section 409A pursuant to Treasury Regulation § 1.409A-1(b)(9)(v)(A) or (C) (relating to certain reimbursements and in-kind benefits) shall be paid or provided to Executive only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which

Executive's "separation from service" occurs; and provided, further, that such expenses are reimbursed no later than the last day of the second calendar year following the calendar year in which Executive's "separation from service" occurs. To the extent that any indemnification payment, expense reimbursement, or provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one (1) calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any lifetime or other aggregate limitation applicable to medical expenses to the extent permitted by Section 409A), such indemnification, reimbursement, or in-kind benefits shall be provided for the period set forth in this Agreement, or if no such period is set forth, during Executive's lifetime, in no event shall any indemnification payment or expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such indemnification payment or expenses, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties as of the date first written above.

Vistra Energy Corp.

/s/ CURTIS A. MORGAN

Curtis A. Morgan
Chief Executive Officer

JAMES A. BURKE

/s/ JAMES A. BURKE

Exhibit A

OIP:	Equity awards to be subject to the terms of the Company's Omnibus Incentive Plan.
Annual Equity Awards:	Executive will be granted annual equity awards in an amount determined by the Board. Such awards may be in the form of options, restricted stock units, performance shares, or any other form as approved by the Board.
Involuntary Termination Without Cause / Resignation for Good Reason / Non-Renewal of Term by the Company:	Subject to delivery (and non-revocation) of the Release and continued compliance with Sections 6 and 7 of this Agreement, accelerated vesting of the portion of Executive's outstanding equity awards that would have vested in the 12 months following termination had Executive remained employed (fully vested options to remain exercisable for 90 days following termination or, if Executive is subject Section 16 of the Exchange Act as of such Termination, 180 days from the date of such termination (or until the option's regular expiration date, if shorter)).
Termination with Cause / Resignation Without Good Reason / Non-Renewal of the Term by Executive	All options and other outstanding awards (unvested and vested) are forfeited upon a termination for Cause. On any other termination, Executive will retain all vested awards (forfeits unvested), and vested options remain exercisable for 30 days following termination or, if Executive is subject Section 16 of the Exchange Act as of such Termination, 180 days from the date of such termination (or until the option's regular expiration date, if shorter).
Death / Disability	Accelerated vesting of the portion of Executive's equity awards that would have vested in the 12 months following termination had he remained employed (fully vested options to remain exercisable for one year following termination (or until the option's regular expiration date, if shorter)).
Involuntary Termination Without Cause / Resignation for Good Reason / Non-Renewal of Term by the Company Following a Change in Control:	All equity awards that were outstanding at the time of the Change in Control will vest upon such termination.

Exhibit B

Release of Claims

As used in this Release of Claims (this “Release”), the term “claims” will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, proceedings, obligations, debts, accounts, attorneys’ fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise. Capitalized terms used but not defined in this Release will have the meanings given to them in the employment agreement dated May 1, 2019 between Vistra Energy Corp. (the “Company”) and James A. Burke (my “Employment Agreement”).

For and in consideration of the severance payments and benefits, and other good and valuable consideration, I, for and on behalf of myself and my executors, heirs, administrators, representatives, and assigns, hereby agree to release and forever discharge the Company and each of its direct and indirect parent and subsidiary entities, and all of their respective predecessors, successors, and past, current, and future parent entities, affiliates, subsidiary entities, investors, directors, shareholders, members, officers, general or limited partners, employees, attorneys, agents, and representatives, and the employee benefit plans in which I am or have been a participant by virtue of my employment with or service to the Company (collectively, the “Company Releasees”), from any and all claims that I have or may have had against the Company Releasees based on any events or circumstances arising or occurring on or prior to the date hereof and arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever my employment by or service to the Company or the termination thereof, including without limitation any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, intentional infliction of emotional distress, whistleblowing, or liability in tort, and claims of any kind that may be brought in any court or administrative agency, and any related claims for attorneys’ fees and costs, including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the “ADEA”); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and any similar state or local law. I agree further that this Release may be pleaded as a full defense to any action, suit, arbitration, or other proceeding covered by the terms hereof that is or may be initiated, prosecuted, or maintained by me or my descendants, dependents, heirs, executors, administrators, or assigns. By signing this Release, I acknowledge that I intend to waive and release all rights known or unknown that I may have against the Company Releasees under these and any other laws.

I acknowledge and agree that as of the date I execute this Release, I have no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraph and that I have not filed any claim against any of the Releasees before any local, state, federal, or foreign agency, court, arbitrator, mediator, arbitration or mediation panel, or other body (each individually a “Proceeding”). I (i) acknowledge that I will not initiate or cause to be initiated on my behalf any Proceeding and will not participate in any Proceeding, in each case, except as required by law or to the extent such Proceeding relates to a claim not waived hereunder; and (ii) waive any right that I may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding, including any Proceeding conducted by the Equal Employment Opportunity Commission (“EEOC”), except in each case to the extent such Proceeding relates to a claim not waived hereunder. Further, I understand that, by executing

this Release, I will be limiting the availability of certain remedies that I may have against the Company and limiting also my ability to pursue certain claims against the Company Releasees.

By executing this Release, I specifically release all claims relating to my employment and its termination under ADEA, a federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding the generality of the foregoing, I do not release (i) claims to receive my severance payments and benefits in accordance with the terms of the Employment Agreement, (ii) claims with respect to benefits to which I am entitled under the employee benefit and compensation plans of the Company and its affiliates, including any rights to equity, (iii) claims to indemnification, or (iv) claims that cannot be waived by law. Further, nothing in this Release shall prevent me from (i) initiating or causing to be initiated on my behalf any claim against the Company before any local, state, or federal agency, court, or other body challenging the validity of the waiver of my claims under the ADEA (but no other portion of such waiver); or (ii) initiating or participating in an investigation or proceeding conducted by the EEOC.

I acknowledge that I have been given at least [21]/[45] days in which to consider this Release. I acknowledge further that the Company has advised me to consult with an attorney of my choice before signing this Release, and I have had sufficient time to consider the terms of this Release. I represent and acknowledge that if I execute this Release before [21]/[45] days have elapsed, I do so knowingly, voluntarily, and upon the advice and with the approval of my legal counsel (if any), and that I voluntarily waive any remaining consideration period.

I understand that after executing this Release, I have the right to revoke it within seven days after its execution. I understand that this Release will not become effective and enforceable unless the seven-day revocation period passes and I do not revoke the Release in writing. I understand that this Release may not be revoked after the seven-day revocation period has passed. I understand also that any revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven-day period.

This Release will become effective, irrevocable, and binding on the eighth day after its execution, so long as I have not timely revoked it as set forth above. I understand and acknowledge that I will not be entitled to the severance payments and benefits unless this Release is effective on or before the date that is sixty (60) days following the date of my termination of employment.

I hereby agree to waive any and all claims to re-employment with the Company or any of its affiliates and affirmatively agree not to seek further employment with the Company or any of its affiliates.

The provisions of this Release will be binding upon my heirs, executors, administrators, legal representatives, and assigns. If any provision of this Release will be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision will be of no force or effect. The illegality or unenforceability of such provision, however, will have no effect upon and will not impair the enforceability of any other provision of this Release.

This Release will be governed in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of law. Any dispute or claim arising out of or relating to this Release or claim of breach hereof will be brought exclusively in the federal and state courts located within Delaware. By execution of this Release, I am waiving any right to trial by jury in connection with any suit, action, or proceeding under or in connection with this Release.

James A. Burke

Date

**CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Curtis A. Morgan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vistra Energy Corp.;
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 officer 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)) 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) 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
 - c) 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 officer 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.

Date: May 3, 2019

/s/ Curtis A. Morgan

Curtis A. Morgan
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, J. William Holden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vistra Energy Corp.;
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 officer 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)) 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) 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
 - c) 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 officer 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.

Date: May 3, 2019

/s/ J. William Holden

J. William Holden

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER
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 Vistra Energy Corp. (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curtis A. Morgan, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for the purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 3, 2019

/s/ Curtis A. Morgan

Curtis A. Morgan

President and Chief Executive Officer

(Principal Executive Officer)

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and is not to be incorporated by reference into any filing of Vistra Energy Corp. under Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language of such filing.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
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 Vistra Energy Corp. (the "Company") on Form 10-Q for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. William Holden, Executive Vice President and Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for the purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 3, 2019

/s/ J. William Holden

J. William Holden
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and is not to be incorporated by reference into any filing of Vistra Energy Corp. under Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language of such filing.

Mine Safety Disclosures

Safety is a top priority in all our businesses, and accordingly, it is a key component of our focus on operational excellence, our employee performance reviews and employee compensation. Our health and safety program objectives are to prevent workplace accidents and ensure that all employees return home safely and comply with all regulations.

Vistra Energy currently owns and operates, or is in the process of reclaiming, 12 surface lignite coal mines in Texas to provide fuel for its electricity generation facilities. Vistra Energy also owns or leases, and operates, or is in the process of reclaiming, two waste-to-energy surface facilities in Pennsylvania. These mining operations are regulated by the U.S. Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977, as amended (the Mine Act), as well as other regulatory agencies such as the RCT. The MSHA inspects U.S. mines, including Vistra Energy's, on a regular basis and if it believes a violation of the Mine Act or any health or safety standard or other regulation has occurred, it may issue a citation or order, generally accompanied by a proposed fine or assessment. Such citations and orders can be contested and appealed to the Federal Mine Safety and Health Review Commission (FMSHRC), which often results in a reduction of the severity and amount of fines and assessments and sometimes results in dismissal. The number of citations, orders and proposed assessments vary depending on the size of the mine as well as other factors.

Disclosures related to specific mines pursuant to Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K sourced from data documented at April [], 2019 in the MSHA Data Retrieval System for the three months ended March 31, 2019 (except pending legal actions, which are at March 31, 2019), are as follows:

Mine (a)	Section 104 S and S Citations (b)	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b) (2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed (c)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e)	Received Notice of Potential to Have Pattern Under Section 104(e)	Legal Actions Pending at Last Day of Period (d)	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Kosse	2	—	—	—	—	—	—	—	—	—	—	—
Liberty	1	—	—	—	—	—	—	—	—	—	—	—
Northeastern Power Cogeneration Facility	2	—	—	—	—	2	—	—	—	—	—	—

(a) Excludes mines for which there were no applicable events.

(b) Includes MSHA citations for health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.

(c) Total value in thousands of dollars for proposed assessments received from MSHA for all citations and orders issued in the three months ended March 31, 2019, including but not limited to Sections 104, 107 and 110 citations and orders that are not required to be reported.

(d) There were [no] pending actions before the FMSHRC involving a coal or other mine at March 31, 2019.