NRG ENERGY, INC.
Form 424B3
December 26, 2013

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-191797

NRG Energy, Inc.

12,671,977 Shares of Common Stock

This prospectus relates to the distribution of 12,671,977 shares of our common stock by Edison Mission Energy, or EME, the selling stockholder under this prospectus, pursuant to a chapter 11 plan of reorganization, or the Plan, under chapter 11 of title 11 of the United States Code, or the Bankruptcy Code. The 12,671,977 shares of common stock covered by this prospectus will be sold by us to EME pursuant to an Asset Purchase Agreement, or the Purchase Agreement, dated October 18, 2013, by and among EME, NRG Energy, Inc., or NRG, and NRG Energy Holdings Inc., a wholly owned subsidiary of NRG, or the Purchaser. Pursuant to the Purchase Agreement, the Purchaser will acquire substantially all of EME's assets, including its equity interests in certain of its direct subsidiaries and thereby such subsidiaries' assets and liabilities. As partial consideration for the acquisition of certain assets of EME by the Purchaser under the Purchase Agreement, we will issue shares of our common stock to EME. EME, as a selling stockholder under this prospectus and as a statutory underwriter, will distribute such shares to its unsecured creditors in accordance with the Plan. We provide more information about how EME will distribute the shares of common stock in the section titled "Plan of Distribution" on page 27 of this prospectus. The shares of common stock registered under this prospectus represent an aggregate amount of $350 million of the total consideration paid in the acquisition.

We will not receive any cash proceeds from the sale of shares registered under this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol "NRG." On December 23, 2013, the closing sale price of our common stock on the New York Stock Exchange was $28.37.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 26, 2013

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You should rely only on the information contained in, or incorporated by reference in, this prospectus. We have not authorized anyone else to provide you with different or additional information. This prospectus does not offer to sell or solicit any offer to buy any shares of our common stock in any jurisdiction where such is unlawful. You should not assume that the information in this prospectus or in any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.

You should read carefully the entire prospectus, as well as the documents incorporated by reference in the prospectus, before making an investment decision.

Unless the context provides otherwise, references herein to "we," "us," "our," "our company," or "NRG" refer to NRG Energy, Inc., together with its consolidated subsidiaries and references to "Issuer" or "Registrant" refer to NRG Energy, Inc., exclusive of its subsidiaries.

Industry and Market Data

This prospectus includes industry data and forecasts that we obtained from industry publications and surveys, public filings and internal company sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the included information. Statements as to our market position and market estimates are based on independent industry publications, government publications, third-party forecasts, management's estimates and assumptions about our markets and our internal research. While we are not aware of any misstatements regarding the market, industry or similar data presented herein or incorporated herein by reference, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors" in this prospectus.

Trademarks and Trade Names

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This prospectus may also contain trademarks, service marks and trade names of third parties, which are the property of their respective owners. Our use or display of third parties' trademarks, service marks, trade names or products in this prospectus is not intended to, and should not be read to, imply a relationship with or endorsement or sponsorship of us. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, service marks and trade names.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated into this prospectus by reference, contains "forward-looking statements," which involve risks and uncertainties. All statements, other than statements of historical facts, that are included in or incorporated by reference into this prospectus, or made in presentations, in response to questions or otherwise, that address activities, events or developments that we expect or anticipate to occur in the future, including such matters as projections, capital allocation, future capital expenditures, 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 business and operations (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "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 is qualified in its entirety by reference to the discussion of risk factors under "Risk Factors" contained elsewhere in this prospectus and in the section captioned "Risk Factors Related to NRG Energy, Inc." of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, or our 2012 Form 10-K, which is incorporated into this prospectus by reference, and the following important factors, among others, that could cause our actual results to differ materially from those projected in such forward-looking statements:

- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that we may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of our risk management policies and procedures, and the ability of our counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting our liquidity position and financial condition;
- Our ability to operate our businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from our asset-based businesses in relation to our debt and other obligations;
- Our ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of carbon dioxide and other greenhouse gas emissions;
- Price mitigation strategies and other market structures employed by independent system operators or regional transmission organizations that result in a failure to adequately compensate our generation units for all of their costs;

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- Our ability to borrow additional funds and access capital markets, as well as our substantial indebtedness and the possibility that we may incur additional indebtedness going forward;

- Our ability to receive federal loan guarantees or cash grants to support development projects;

- Operating and financial restrictions placed on us and our subsidiaries that are contained in the indentures governing our outstanding notes, in our senior credit facility, and in debt and other agreements of certain of our subsidiaries and project affiliates generally;

- Our ability to implement our strategy of developing and building new power generation facilities, including new solar projects;

- Our ability to implement our econrg strategy of finding ways to address environmental challenges while taking advantage of business opportunities;

- Our ability to implement our FORNRG strategy to increase cash from operations through operational and commercial initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout our company to reduce costs or generate revenues;

- Our ability to achieve our strategy of regularly returning capital to shareholders;

- Our ability to maintain retail market share;

- Our ability to successfully evaluate investments in new business and growth initiatives;

- Our ability to successfully integrate and manage any acquired businesses; and

- Our ability to develop and maintain successful partnership relationships.

Any forward-looking statement speaks only as of the date on which it is made, and except as may be required by applicable 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. New factors emerge from time to time, and it is not possible for us to predict all of them; nor can we assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. You should not unduly rely on such forward-looking statements.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus or incorporated by reference into this prospectus. It does not contain all the information you need to consider in making your investment decision. Before making an investment decision, you should read this entire prospectus carefully, including the information set forth in the section entitled "Risk Factors" and all of the information that is incorporated by reference into this prospectus. See the section entitled "Incorporation by Reference."

Unless the context provides otherwise, references herein to "we," "us," "our," "our company," "the Company," or "NRG" refer to NRG Energy, Inc., together with its consolidated subsidiaries and references to "Issuer" or "Registrant" refer to NRG Energy, Inc., exclusive of its subsidiaries.

Our Business

We are a competitive power and energy company that aspires to be a leader in the way the industry and consumers think about, use, produce and deliver energy and energy services in major competitive power markets in the United States. First, at our core, we are a wholesale power generator engaged in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; and the transacting in and trading of fuel and transportation services. Second, while leveraging our core wholesale power business, we are a retail energy company engaged in the supply of energy, services, and innovative, sustainable products to retail customers in competitive markets through multiple channels and brands like Reliant Energy, Green Mountain Energy, and NRG Residential Solutions. Finally, we are a clean energy leader and are focused on the deployment and commercialization of potentially disruptive technologies, like electric vehicles, solar power produced for customers on site, or distributed solar projects, and smart meter technology, which have the potential to change the nature of the power supply industry.

The following table summarizes our global generation portfolio as of September 30, 2013, by operating segment, which includes 86 fossil fuel plants, nine solar power facilities connected to the grid to sell wholesale power, or utility scale solar, facilities, and four wind farms, as well as distributed solar facilities. Also included is one utility scale solar facility and additional distributed solar facilities currently under construction, and one utility scale facilities partially in-service. All utility scale and distributed solar facilities are described as in megawatts, or MW, on an alternating current basis. MW figures provided represent nominal summer net megawatt capacity of power generated as adjusted for our ownership position excluding capacity from inactive/mothballed units.

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	Fossil Fuel, Nuclear and Renewable (in MW)								
Generation Type	**Texas**	**East**	**South Central**	**West**	**Alternative Energy**	**NRG Yield(a)**	**Total Domestic**	**Other (International)**	**Total Global**
Natural Gas	5,927	7,651	3,817	6,779		843	25,017		25,017
Coal	4,193	7,272	1,496				12,961	605	13,566
Oil(b)		5,533				190	5,723		5,723
Nuclear	1,176						1,176		1,176
Wind					347	101	448		448
Utility scale solar					406	253	659		659
Distributed solar					37	10	47		47
Total generation capacity	11,296	20,456	5,313	6,779	790	1,397	46,031	605	46,636
Capacity attributable to noncontrolling interest					(142)	(482)	(624)		(624)
Total net generation capacity	11,296	20,456	5,313	6,779	648	915	45,407	605	46,012
Under Construction									
Utility scale solar					444	50	494		494
Distributed solar					6		6		6
Total under construction					450	50	500		500
Capacity attributable to noncontrolling interest					(195)	(17)	(212)		(212)
Total net under construction					255	33	288		288

(a) NRG sold 34.5% of its ownership in NRG Yield LLC, consisting of 499 MWs, in July 2013.

(b) The NRG Yield operating segment consists of two dual-fuel (natural gas and oil) simple-cycle generation facilities.

In addition, our thermal assets provide steam and chilled water capacity of approximately 1,098 MW thermal equivalents through our district energy business.

Our generation facilities are primarily located in the United States and comprise generation facilities across the merit order. The sale of capacity and power from baseload and intermediate generation facilities accounts for a majority of our generation revenues. In addition, our generation portfolio provides us with opportunities to capture additional revenues by selling power during periods of peak demand, offering capacity or similar products, and providing ancillary services to support system reliability.

Our retail business arranges for the transmission and delivery of energy-related products to customers, bills customers, collects payments for products sold, and maintains call centers to provide customer service. The retail business sells products that range from system power to bundled products, which combine system power with protection products, energy efficiency and renewable energy solutions, or other value added products and services, including customer rewards offered through exclusive loyalty and affinity program partnerships. Based on metered locations, as of September 30, 2013, our retail business served approximately 2.3 million residential, small business, and commercial and industrial customers.

Our investment in, and development of, new technologies is focused on identifying significant commercial opportunities and creating a comparative advantage for us. Our development and investment initiatives are primarily focused in the areas of distributed solar projects, solar thermal and

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solar photovoltaic, and also include other low-or no-green-house gas emitting energy generating sources, such as the fueling infrastructure for electric vehicle ecosystems.

GenOn Acquisition

On December 14, 2012, we completed the previously announced merger, or the GenOn Merger, with GenOn Energy, Inc., or GenOn, in accordance with a merger agreement dated as of July 20, 2012, or the GenOn Merger Agreement, with GenOn continuing as a wholly owned subsidiary of NRG. Details of the merger and its accounting treatment are described in our 2012 Form 10-K.

NRG Yield, Inc. Spin-Off

In July 2013, NRG Yield, Inc., formerly a wholly owned subsidiary of NRG, completed its initial public offering of shares of its Class A common stock. We formed NRG Yield, Inc. to own and operate a portfolio of contracted generation assets and thermal infrastructure assets that have historically been owned and/or operated by us and our subsidiaries. On July 22, 2013, NRG Yield, Inc. closed its initial public offering of 22,511,250 shares of Class A common stock at a price of $22 per share.

Acquisition of EME Assets and Distribution by EME of NRG Common Stock Pursuant to the Plan

On December 17, 2012, EME and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, or the Bankruptcy Court. EME was deconsolidated from its parent company, EIX, for financial statement purposes but not for tax purposes as of December 17, 2012. On May 2, 2013, certain other subsidiaries of EME filed voluntary petitions for relief under the Bankruptcy Code.

On October 18, 2013, NRG and the Purchaser entered into a Plan Sponsor Agreement with EME, certain of EME's debtor subsidiaries, the Official Committee of Unsecured Creditors of EME and its debtor subsidiaries, or the Committee, the PoJo Parties (as defined in the Plan Sponsor Agreement) and certain of EME's noteholders that are signatories to such agreement, which provides for the parties to pursue confirmation by the Bankruptcy Court of the Plan that will implement a reorganization of EME and its debtor subsidiaries. Pursuant to the Plan Sponsor Agreement, on October 18, 2013, NRG entered into a Purchase Agreement with EME and the Purchaser, a wholly owned subsidiary of NRG, which provides for the acquisition of substantially all of EME's assets, including its equity interests in certain of its direct subsidiaries and thereby such subsidiaries' assets and liabilities, by the Purchaser upon confirmation of the Plan by the Bankruptcy Court, referred to herein as the Acquisition. On October 25, 2013, the Bankruptcy Court approved the Plan Sponsor Agreement.

On November 15, 2013, EME and each of its direct and indirect subsidiaries that filed for relief under the Bankruptcy Code filed the Plan and a related chapter 11 disclosure statement with the Bankruptcy Court in connection with the Acquisition contemplated by the Plan Sponsor Agreement. If the Plan receives the required approval from EME's creditors that are entitled to vote on the Plan, it is expected to be confirmed by the Bankruptcy Court on February 19, 2014.

Pursuant to the Purchase Agreement, as described below, a portion of the purchase price to be paid by NRG in exchange for the acquired assets of EME will be paid in newly issued, registered shares of NRG's common stock. EME will distribute the newly issued shares of NRG common stock in accordance with the terms and conditions of the Plan, and will not occur until the transactions contemplated by the Plan are consummated and the Plan becomes effective. The Plan generally will provide for each of EME's unsecured creditors to receive a pro rata portion of (i) the total amount of the newly issued shares of NRG common stock and (ii) certain cash proceeds. After the sale under the Plan, creditors of EME that receive shares of NRG common stock pursuant to the Plan will be stockholders of NRG.

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The following is a summary of certain material terms of the Purchase Agreement and the Plan Sponsor Agreement. This summary does not include a description of all of the terms, conditions and provisions of the Purchase Agreement and the Plan Sponsor Agreement and is qualified by reference to the complete text of the Purchase Agreement and the Plan Sponsor Agreement, which are attached as exhibits to the registration statement of which this prospectus is a part and incorporated by reference herein.

Purchase Agreement

The Purchase Agreement provides for the acquisition by the Purchaser of substantially all of EME's and certain of EME's debtor subsidiaries' assets and the assumption of certain liabilities, other than the acquisition of certain excluded assets and the assumption of certain liabilities. The assets acquired include the outstanding equity interests in certain of EME's direct subsidiaries and thereby such subsidiaries' assets and liabilities, EME's cash and cash equivalents, and EME's interest in substantially all of the other assets used in the operation of EME's and its subsidiaries' businesses. The Purchaser will assume substantially all of the liabilities related to the acquired assets, including, among other things, (1) all liabilities of EME under those certain leveraged leases relating to the Powerton station and Units 7 and 8 of the Joliet station, which EME's indirect subsidiary, Midwest Generation, LLC, or MWG, leases from third-party lessors pursuant to a sale-leaseback transaction completed in August 2000, or the PoJo Leases, other than certain amounts owed by MWG relating to past due amounts owing under the PoJo Leases as set forth in the Purchase Agreement; (2) all trade and vendor accounts payable and accrued liabilities arising from the operation of EME's and certain of its debtor subsidiaries' businesses prior to the date of the closing of the Acquisition; and (3) all cure amounts and other liabilities of EME and certain of its debtor subsidiaries (other than Chestnut Ridge Energy Company, Edison Mission Energy Services, Inc., Edison Mission Finance Co., Edison Mission Holdings Co., EME Homer City Generation L.P., Homer City Property Holdings, Inc., and Mission Energy Westside, Inc. and certain agreed-upon excluded liabilities).

Purchase Price

Pursuant to the Purchase Agreement, NRG shall pay a total purchase price of $2,635 million to be paid by NRG in exchange for the acquired assets of EME, of which $1,063 million consists of acquired cash. The purchase price is subject to certain adjustments provided in the Purchase Agreement. The Purchase Agreement provides that $350 million of the total purchase price payable by NRG in exchange for the acquired assets of EME will be paid in newly issued, registered shares of NRG's common stock and the remainder will be paid in cash. EME, as the selling stockholder under this prospectus, will distribute the shares acquired by EME pursuant to the Purchase Agreement to its unsecured creditors in accordance with the Plan, which shares will be freely tradable by such creditors that are not affiliates of NRG. The price of the shares sold to EME under the Purchase Agreement will be $27.62 per share, which price was determined in accordance with the Plan Sponsor Agreement based on the volume-weighted average trading price of such shares over the 20 trading days prior to October 18, 2013. NRG will assume non-recourse debt of approximately $1,545 million, subject to adjustment, of which $273 million is associated with assets designated as Non-Core Assets (as defined in the Purchase Agreement) pursuant to the Purchase Agreement.

Closing Conditions

The Purchase Agreement contains customary conditions to closing, including confirmation of the Plan by the Bankruptcy Court, receipt of approval from the FERC, expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, effectiveness of the registration statement of which this prospectus is a part, and approval for listing of the shares registered under this prospectus on the New York Stock Exchange. Pursuant to the PoJo Lease Modifications (as defined in

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the Purchase Agreement), at the closing of the Acquisition, NRG would (i) replace the existing EME guarantees with NRG guarantees, (ii) replace EME as a party to the tax indemnity agreements relating to the Powerton and Joliet facility leases, and (iii) covenant to make a capital investment in the Powerton and Joliet facilities, provided that NRG will not be obligated to make capital investments in excess of $350 million. In consideration of the foregoing, at the closing of the Acquisition, the estate of EME would retain all liabilities relating to the payment of the Agreed PoJo Cure Amount (as defined in the Purchase Agreement), the intercompany note issued by EME for the benefit of MWG, a debtor subsidiary of EME, would be extinguished, MWG would assume the Powerton and Joliet facility leases and the other operative documents related thereto, as modified by mutual agreement of the parties thereto and all monetary defaults under each lease will be cured at closing.

Covenants

EME was permitted solicit alternative transactions from third parties through December 6, 2013, after which EME may not solicit proposals from or negotiate with any third party. NRG will receive copies of all written bona fide offers received on or after October 18, 2013. If EME's board of directors determines, consistent with its fiduciary duties, that another proposal or proposals is better for EME and its stakeholders than the terms of the Acquisition, or a Superior Proposal, then NRG will have advance notice of EME's intention to terminate the Purchase Agreement. EME may terminate the Purchase Agreement in order to enter into a Superior Proposal at any time prior to entry of a confirmation order.

Termination Rights

The Purchase Agreement and the Plan Sponsor Agreement provide specific termination rights to each party, which include a right to terminate if certain milestone dates are not met, for material breaches of either agreement not cured within a specified period or if EME enters into or seeks approval of a Superior Proposal. Under specified circumstances, including if EME enters into or seeks approval of a Superior Proposal, NRG will be entitled to receive a cash fee of $65 million, or the Termination Fee, and expense reimbursement of all reasonable and documented out-of-pocket expenses, or the Expense Reimbursement, if the Purchase Agreement is terminated. The Termination Fee and the Expense Reimbursement are referred to collectively herein as the Plan Sponsor Protections.

Plan Sponsor Agreement

The Plan Sponsor Agreement contains representations and warranties, and covenants of the parties to pursue confirmation of the Plan. The Bankruptcy Court approved the Plan Sponsor Agreement and the Plan Sponsor Protections on October 24, 2013, and the Plan Sponsor Protections became effective on that date.

Pursuant to the Plan Sponsor Agreement and the Purchase Agreement, NRG is required to use reasonable best efforts to cause the registration statement of which this prospectus is a part to become effective on or before closing. NRG's obligation to cause the registration statement of which this prospectus is a part to become effective is subject to customary covenants, representations, warranties and other conditions. NRG is required to use reasonable best efforts to have the registration statement of which this prospectus is a part declared effective as promptly as reasonably practicable after its filing with the SEC and to keep such registration statement effective until at least the thirtieth day after the Plan Effective Date (as defined in the Plan Sponsor Agreement).

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Business Strategy

Our business is focused on: (i) excellence in safety and operating performance of our existing assets; (ii) serving the energy needs of end-use residential, commercial and industrial customers in competitive markets through multiple brands and channels with a variety of retail energy products and services differentiated by innovative features, premium service, sustainability, and loyalty/affinity programs; (iii) optimal hedging of generation assets and retail load operations; (iv) repowering of power generation assets at premium sites; (v) investing in, and deploying, alternative energy technologies both in our wholesale and, particularly, in and around our retail business and our customers; (vi) pursuing selective acquisitions, joint ventures, divestitures and investments; and (vii) engaging in a proactive capital allocation plan focused on achieving the regular return of and on stockholder capital within the dictates of prudent balance sheet management.

In addition, our company created NRG Yield, Inc. to enhance value for our stockholders by seeking to achieve the following objectives: (i) gain access to an alternative investor base with a more competitive source of equity capital that would accelerate NRG Yield, Inc.'s long-term growth and acquisition strategy and optimize the NRG Yield, Inc. capital structure; (ii) highlight the value inherent in the contracted conventional and renewable generation and thermal infrastructure assets by separating them from other NRG non-contracted assets; and (iii) create a pure-play public issue with operating, financial and tax characteristics that we believe will appeal to dividend growth-oriented investors seeking exposure to the contracted power sector.

We believe that the U.S. energy industry is going to be increasingly impacted by the long-term societal trend towards sustainability which is both generational and irreversible. Moreover, the information technology-driven revolution, which has enabled greater and easier personal choice in other sectors of the consumer economy, will do the same in the U.S. energy sector over the years to come. As a result, energy consumers are expected to have increasing personal control over whom they buy their energy from, how that energy is generated and used and what environmental impact these individual choices will have. Our initiatives in this area of future growth are focused on: (i) renewables, with a concentration in solar development; (ii) electric vehicle ecosystems; (iii) customer-facing energy products and services, including smart energy services that give consumers individual energy insights, choices and convenience, a variety of renewable and energy efficiency products, and numerous loyalty and affinity options and tailored product and service bundles sold through unique retail sales channels; and (iv) construction of other forms of on-site clean power generation. Our advancements in each of these areas are driven by select acquisitions, joint ventures, and investments that are more fully described in our 2012 Form 10-K and our Form 10-Q for the quarter ended September 30, 2013.

In summary, our business strategy is intended to maximize stockholder value through the production and sale of safe, reliable and affordable power to our customers in the markets served by us, while aggressively positioning us to meet the market's increasing demand for sustainable and low carbon energy solutions. This strategy is designed to enhance our core business of competitive power generation and mitigate the risk of declining power prices. We expect to become a leading provider of sustainable energy solutions that promotes national energy security, while utilizing our retail business to complement and advance both initiatives.

Summary of Risk Factors

We are subject to a variety of risks related to our competitive position and business strategies. Some of the more significant challenges and risks include those associated with the operation of our power generation plants, volatility in power prices and fuel costs, our leveraged capital structure and extensive governmental regulation. See the section entitled "Risk Factors" beginning on page 10 of this prospectus and the section entitled "Risk Factors Related to NRG Energy, Inc." of our 2012 Form 10-K for a discussion of the factors you should consider before investing in our common stock.

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Corporate Information

We were incorporated as a Delaware corporation on May 29, 1992. Our common stock is listed on the New York Stock Exchange under the symbol "NRG." Our headquarters and principal executive offices are located at 211 Carnegie Center, Princeton, New Jersey 08540. Our telephone number is (609) 524-4500. Our website is located at www.nrgenergy.com. The information on, or linked to, our website is not a part of this prospectus and is not incorporated in this prospectus by reference.

You can get more information regarding our business by reading our 2012 Form 10-K, and the other reports we file with the Securities and Exchange Commission, or SEC. For additional information, see the section entitled "Where You Can Find More Information" beginning on page 40 of this prospectus and the section entitled "Incorporation by Reference" beginning on page 39 of this prospectus.

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THE OFFERING

The following is a brief summary of the terms of this offering.

Issuer	NRG Energy, Inc.
Common stock offered by the selling stockholder	12,671,977 shares, valued at $27.62 per share. See the section entitled "Plan of Distribution" beginning on page 27.
Common stock outstanding prior to the offering	323,416,260 shares
Common stock to be outstanding after the offering	335,999,545 shares(1)
Use of proceeds	We will not receive any proceeds from the distribution of our common stock by EME.
Offering	The shares of common stock will be issued to EME under the Purchase Agreement, which will be distributed by EME to its unsecured creditors of EME pursuant to the Plan. See the section entitled "Plan of Distribution" beginning on page 27.
Transfer Agent	Computershare Limited
NYSE Ticker Symbol	"NRG"
Risk factors	See the section entitled "Risk Factors" beginning on page 10 and other information included in this prospectus for a discussion of factors that you should consider carefully.

(1) The number of shares of common stock to be outstanding after this distribution is based on 323,416,260 shares of common stock outstanding as of October 31, 2013, excluding 77,347,528 shares held in treasury and all restricted stock units and options issued under NRG's Amended and Restated Long-Term Incentive Plan and 2010 Stock Plan for employees of GenOn regardless of whether such units or options have vested.

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SUMMARY FINANCIAL DATA

The following tables set forth a summary of our consolidated historical financial data as of, and for the period ended on, the dates indicated. The annual historical information is derived from our audited consolidated financial statements as of and for the five-year period ended December 31, 2012. The consolidated interim historical information as of and for the nine months ended September 30, 2013 and 2012 has been derived from our unaudited consolidated financial statements and in the opinion of management, includes all normal and recurring adjustments that are considered necessary for the fair presentations of the results of the interim period. You should read this data together with our audited consolidated financial statements and related notes to our financial statements contained in our 2012 Form 10-K and our quarterly report on Form 10-Q for the quarter ended September 30, 2013, which have been incorporated by reference into this prospectus. Our historical results are not necessarily indicative of our future results, and results for the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the full year ending December 31, 2013.

	Nine Months Ended September 30,		Year Ended December 31,				
	2013	2012	2012(a)	2011(b)	2010	2009	2008
	(unaudited)		(in millions, except per share data)				
Statement of Income Data:							
Total operating revenues	$ 8,500	$ 6,359	$ 8,422	$ 9,079	$ 8,849	$ 8,952	$ 6,885
Total operating costs and expenses, and other expenses	8,594	6,544	8,170	9,725	8,119	7,283	5,119
Income (loss) from continuing operations, net	(47)	61	579	197	476	941	1,053
Income from discontinued operations, net							172
Net income (loss) attributable to NRG Energy, Inc.	$ (74)	$ 43	$ 559	$ 197	$ 477	$ 942	$ 1,225
Per Share Data:							
Income (loss) attributable to NRG from continuing operations basic	$ (0.25)	$ 0.16	$ 2.37	$ 0.78	$ 1.86	$ 3.70	$ 4.25
Income attributable to NRG from continuing operations diluted	(0.25)	0.16	2.35	0.78	1.84	3.44	3.80
Net income (loss) attributable to NRG basic	(0.25)	0.16	2.37	0.78	1.86	3.70	4.98
Net income (loss) attributable to NRG diluted	(0.25)	0.16	2.35	0.78	1.84	3.44	4.43
Cash dividends per common share	0.33	0.09	0.18				
Balance Sheet Data:							
Current assets	$ 7,249	$ 6,383	$ 7,956	$ 7,749	$ 7,137	$ 6,208	$ 8,492
Current liabilities	4,382	4,777	4,677	5,861	4,220	3,762	6,581
Property, plant and equipment, net	20,600	15,866	20,268	13,621	12,517	11,564	11,545
Total assets	34,863	27,220	35,128	26,900	26,896	23,378	24,808
Long-term debt, including current maturities, capital leases, and funded letter of credit	16,713	11,342	15,883	9,832	10,511	8,418	8,161
Total stockholders' equity	$ 10,881	$ 7,890	$ 10,533	$ 7,669	$ 8,072	$ 7,697	$ 7,123

(a)

Refer to Note 3, *Business Acquisitions and Dispositions*, to our 2012 Form 10-K, for a description of the acquisition of GenOn on December 14, 2012.

(b)

Refer to Note 2, *Summary of Significant Accounting Policies, Asset Impairments*, to our 2012 Form 10-K, for a description of impairment charges recorded in 2011.

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RISK FACTORS

You should carefully consider the risk factors set forth below and the risk factors incorporated into this prospectus by reference to our 2012 Form 10-K, as well as the other information contained in and incorporated by reference into this prospectus before deciding to participate in this distribution. The selected risks described below and the risks that are incorporated into this prospectus by reference to our 2012 Form 10-K are not our only risks. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial also may materially and adversely affect our business, financial condition or results of operations. Any of the following risks or any of the risks described in our 2012 Form 10-K could materially and adversely affect our business, financial condition, operating results or cash flow. In such a case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Many of NRG's power generation facilities operate, wholly or partially, without long-term power sale agreements.

Many of NRG's facilities operate as "merchant" facilities without long-term power sales agreements for some or all of their generating capacity and output, and therefore are exposed to market fluctuations. Without the benefit of long-term power sales agreements for these assets, NRG cannot be sure that it will be able to sell any or all of the power generated by these facilities at commercially attractive rates or that these facilities will be able to operate profitably. This could lead to future impairments of the Company's property, plant and equipment or to the closing of certain of its facilities, resulting in economic losses and liabilities, which could have a material adverse effect on the Company's results of operations, financial condition or cash flows.

NRG's financial performance may be impacted by changing natural gas prices, significant and unpredictable price fluctuations in the wholesale power markets and other market factors that are beyond the Company's control.

A significant percentage of the Company's domestic revenues are derived from baseload power plants that are fueled by coal. In many of the competitive markets where NRG operates, the price of power typically is set by natural gas-fired power plants that generally have higher variable costs than NRG's coal-fired power plants. This allows the Company's coal generation assets to earn attractive operating margins compared to plants fueled by natural gas. A decrease in natural gas prices could result in a corresponding decrease in the market price of power that could significantly reduce the operating margins of the Company's baseload generation assets and materially and adversely impact its financial performance. At low enough natural gas prices, gas plants become more economical than coal generation. In such a price environment, the Company's coal units cycle more often or even shut down until prices or load increases enough to justify running them again.

In addition, because changes in power prices in the markets where NRG operates are generally correlated with changes in natural gas prices, NRG's hedging portfolio includes natural gas derivative instruments to hedge power prices for its coal and nuclear generation. If this correlation between power prices and natural gas prices is not maintained and a change in gas prices is not proportionately offset by a change in power prices, the Company's natural gas hedges may not fully cover this differential. This could have a material adverse impact on the Company's cash flow and financial position.

Market prices for power, capacity and ancillary services tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances, especially in the day-ahead and spot markets. Long- and short-term

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power prices may also fluctuate substantially due to other factors outside of the Company's control, including:

- changes in generation capacity in the Company's markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation plants, expansion of existing plants or additional transmission capacity;
- electric supply disruptions, including plant outages and transmission disruptions;
- changes in power transmission infrastructure;
- fuel transportation capacity constraints;
- weather conditions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;
- development of new fuels and new technologies for the production of power;
- development of new technologies for the production of natural gas;
- regulations and actions of the independent system operators, or ISOs; and
- federal and state power market and environmental regulation and legislation.

These factors have caused the Company's operating results to fluctuate in the past and will continue to cause them to do so in the future.

NRG's costs, results of operations, financial condition and cash flows could be adversely impacted by disruption of its fuel supplies.

NRG relies on coal, oil and natural gas to fuel a majority of its power generation facilities. Delivery of these fuels to the facilities is dependent upon the continuing financial viability of contractual counterparties as well as upon the infrastructure (including rail lines, rail cars, barge facilities, roadways, riverways and natural gas pipelines) available to serve each generation facility. As a result, the Company is subject to the risks of disruptions or curtailments in the production of power at its generation facilities if a counterparty fails to perform or if there is a disruption in the fuel delivery infrastructure.

NRG has sold forward a substantial portion of its coal and nuclear power in order to lock in long-term prices that it deemed to be favorable at the time it entered into the forward sale contracts. In order to hedge its obligations under these forward power sales contracts, the Company has entered into long-term and short-term contracts for the purchase and delivery of fuel. Many of the forward power sales contracts do not allow the Company to pass through changes in fuel costs or discharge the power sale obligations in the case of a disruption in fuel supply due to force majeure events or the default of a fuel supplier or transporter. Disruptions in the Company's fuel supplies may therefore require it to find alternative fuel sources at higher costs, to find other sources of power to deliver to counterparties at a higher cost, or to pay damages to counterparties for failure to deliver power as contracted. Any such event could have a material adverse effect on the Company's financial performance.

NRG also buys significant quantities of fuel on a short-term or spot market basis. Prices for all of the Company's fuels fluctuate, sometimes rising or falling significantly over a relatively short period of time. The price NRG can obtain for the sale of energy may not rise at the same rate, or may not rise at all, to match a rise in fuel or delivery costs. This may have a material adverse effect on the

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Company's financial performance. Changes in market prices for natural gas, coal and oil may result from the following:

- weather conditions;
- seasonality;
- demand for energy commodities and general economic conditions;
- disruption or other constraints or inefficiencies of electricity, gas or coal transmission or transportation;
- additional generating capacity;
- availability and levels of storage and inventory for fuel stocks;
- natural gas, crude oil, refined products and coal production levels;
- changes in market liquidity;
- federal, state and foreign governmental regulation and legislation; and
- the creditworthiness and liquidity and willingness of fuel suppliers/transporters to do business with the Company.

NRG's plant operating characteristics and equipment, particularly at its coal-fired plants, often dictate the specific fuel quality to be combusted. The availability and price of specific fuel qualities may vary due to supplier financial or operational disruptions, transportation disruptions and force majeure. At times, coal of specific quality may not be available at any price, or the Company may not be able to transport such coal to its facilities on a timely basis. In this case, the Company may not be able to run the coal facility even if it would be profitable. Operating a coal facility with different quality coal can lead to emission or operating problems. If the Company had sold forward the power from such a coal facility, it could be required to supply or purchase power from alternate sources, perhaps at a loss. This could have a material adverse impact on the financial results of specific plants and on the Company's results of operations.

There may be periods when NRG will not be able to meet its commitments under forward sale obligations at a reasonable cost or at all.

A substantial portion of the output from NRG's coal and nuclear facilities has been sold forward under fixed price power sales contracts through 2014, and the Company also sells forward the output from its intermediate and peaking facilities when it deems it commercially advantageous to do so. Because the obligations under most of these agreements are not contingent on a unit being available to generate power, NRG is generally required to deliver power to the buyer, even in the event of a plant outage, fuel supply disruption or a reduction in the available capacity of the unit. To the extent that the Company does not have sufficient lower cost capacity to meet its commitments under its forward sale obligations, the Company would be required to supply replacement power either by running its other, higher cost power plants or by obtaining power from third-party sources at market prices that could substantially exceed the contract price. If NRG fails to deliver the contracted power, it would be required to pay the difference between the market price at the delivery point and the contract price, and the amount of such payments could be substantial.

In the South Central region, NRG has long-term contracts with rural cooperatives that require it to serve all of the cooperatives' requirements at prices that generally reflect the costs of coal-fired generation. During limited peak demand periods, the load requirements of these contract customers exceed the capacity of NRG's coal-fired Big Cajun II plant. During such peak demand periods, NRG employs its intermediate and/or peaking facilities. Depending upon the then-current gas commodity

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pricing, NRG's financial returns from its South Central region could be negatively impacted for a limited period if the cost of its intermediate and/or peaking power is at higher prices than can be recovered under the Company's contracts.

NRG's trading operations and the use of hedging agreements could result in financial losses that negatively impact its results of operations.

The Company typically enters into hedging agreements, including contracts to purchase or sell commodities at future dates and at fixed prices, in order to manage the commodity price risks inherent in its power generation operations. These activities, although intended to mitigate price volatility, expose the Company to other risks. When the Company sells power forward, it gives up the opportunity to sell power at higher prices in the future, which not only may result in lost opportunity costs but also may require the Company to post significant amounts of cash collateral or other credit support to its counterparties. The Company also relies on counterparty performance under its hedging agreements and is exposed to the credit quality of its counterparties under those agreements. Further, if the values of the financial contracts change in a manner that the Company does not anticipate, or if a counterparty fails to perform under a contract, it could harm the Company's business, operating results or financial position.

NRG does not typically hedge the entire exposure of its operations against commodity price volatility. To the extent it does not hedge against commodity price volatility, the Company's results of operations and financial position may be improved or diminished based upon movement in commodity prices.

NRG may engage in trading activities, including the trading of power, fuel and emissions allowances that are not directly related to the operation of the Company's generation facilities or the management of related risks. These trading activities take place in volatile markets and some of these trades could be characterized as speculative. The Company would expect to settle these trades financially rather than through the production of power or the delivery of fuel. This trading activity may expose the Company to the risk of significant financial losses which could have a material adverse effect on its business and financial condition.

NRG may not have sufficient liquidity to hedge market risks effectively.

The Company is exposed to market risks through its power marketing business, which involves the sale of energy, capacity and related products and the purchase and sale of fuel, transmission services and emission allowances. These market risks include, among other risks, volatility arising from location and timing differences that may be associated with buying and transporting fuel, converting fuel into energy and delivering the energy to a buyer.

NRG undertakes these marketing activities through agreements with various counterparties. Many of the Company's agreements with counterparties include provisions that require the Company to provide guarantees, offset of netting arrangements, letters of credit, a first lien on assets and/or cash collateral to protect the counterparties against the risk of the Company's default or insolvency. The amount of such credit support that must be provided typically is based on the difference between the price of the commodity in a given contract and the market price of the commodity. Significant movements in market prices can result in the Company being required to provide cash collateral and letters of credit in very large amounts. The effectiveness of the Company's strategy may be dependent on the amount of collateral available to enter into or maintain these contracts, and liquidity requirements may be greater than the Company anticipates or will be able to meet. Without a sufficient amount of working capital to post as collateral in support of performance guarantees or as a cash margin, the Company may not be able to manage price volatility effectively or to implement its

strategy. An increase in the amount of letters of credit or cash collateral required to be provided to the Company's counterparties may negatively affect the Company's liquidity and financial condition.

Further, if any of NRG's facilities experience unplanned outages, the Company may be required to procure replacement power at spot market prices in order to fulfill contractual commitments. Without adequate liquidity to meet margin and collateral requirements, the Company may be exposed to significant losses, may miss significant opportunities, and may have increased exposure to the volatility of spot markets.

The accounting for NRG's hedging activities may increase the volatility in the Company's quarterly and annual financial results.

NRG engages in commodity-related marketing and price-risk management activities in order to financially hedge its exposure to market risk with respect to electricity sales from its generation assets, fuel utilized by those assets and emission allowances.

NRG generally attempts to balance its fixed-price physical and financial purchases and sales commitments in terms of contract volumes and the timing of performance and delivery obligations through the use of financial and physical derivative contracts. These derivatives are accounted for in accordance with the Financial Accounting Standards Board, or FASB, ASC 815, Derivatives and Hedging, or ASC 815, which requires the Company to record all derivatives on the balance sheet at fair value with changes in the fair value resulting from fluctuations in the underlying commodity prices immediately recognized in earnings, unless the derivative qualifies for cash flow hedge accounting treatment. Whether a derivative qualifies for cash flow hedge accounting treatment depends upon it meeting specific criteria used to determine if the cash flow hedge is and will remain appropriate for the term of the derivative. All economic hedges may not necessarily qualify for cash flow hedge accounting treatment. As a result, the Company's quarterly and annual results are subject to significant fluctuations caused by changes in market prices.

Competition in wholesale power markets may have a material adverse effect on NRG's results of operations, cash flows and the market value of its assets.

NRG has numerous competitors in all aspects of its business, and additional competitors may enter the industry. Because many of the Company's facilities are old, newer plants owned by the Company's competitors are often more efficient than NRG's aging plants, which may put some of these plants at a competitive disadvantage to the extent the Company's competitors are able to consume the same or less fuel as the Company's plants consume. Over time, the Company's plants may be squeezed out of their markets, or may be unable to compete with these more efficient plants.

In NRG's power marketing and commercial operations, it competes on the basis of its relative skills, financial position and access to capital with other providers of electric energy in the procurement of fuel and transportation services, and the sale of capacity, energy and related products. In order to compete successfully, the Company seeks to aggregate fuel supplies at competitive prices from different sources and locations and to efficiently utilize transportation services from third-party pipelines, railways and other fuel transporters and transmission services from electric utilities.

Other companies with which NRG competes with may have greater liquidity, greater access to credit and other financial resources, lower cost structures, more effective risk management policies and procedures, greater ability to incur losses, longer-standing relationships with customers, greater potential for profitability from ancillary services or greater flexibility in the timing of their sale of generation capacity and ancillary services than NRG does.

NRG's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to the construction, expansion or refurbishment of their

power generation facilities than NRG can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. There can be no assurance that NRG will be able to compete successfully against current and future competitors, and any failure to do so would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Operation of power generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on NRG's revenues and results of operations. NRG may not have adequate insurance to cover these risks and hazards.

The ongoing operation of NRG's facilities involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency and the inability to transport the Company's product to its customers in an efficient manner due to a lack of transmission capacity. Unplanned outages of generating units, including extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are an inherent risk of the Company's business. Unplanned outages typically increase the Company's operation and maintenance expenses and may reduce the Company's revenues as a result of selling fewer saleable MW hours or require NRG to incur significant costs as a result of running one of its higher cost units or obtaining replacement power from third parties in the open market to satisfy the Company's forward power sales obligations. NRG's inability to operate the Company's plants efficiently, manage capital expenditures and costs, and generate earnings and cash flow from the Company's asset-based businesses could have a material adverse effect on the Company's results of operations, financial condition or cash flows. While NRG maintains insurance, obtains warranties from vendors and obligates contractors to meet certain performance levels, the proceeds of such insurance, warranties or performance guarantees may not be adequate to cover the Company's lost revenues, increased expenses or liquidated damages payments should the Company experience equipment breakdown or non-performance by contractors or vendors.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks such as earthquake, flood, lightning, hurricane and wind, other hazards, such as fire, explosion, structural collapse and machinery failure are inherent risks in the Company's operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in NRG being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental cleanup costs, personal injury and property damage and fines and/or penalties. NRG maintains an amount of insurance protection that it considers adequate, but the Company cannot provide any assurance that its insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which it may be subject. A successful claim for which the Company is not fully insured could hurt its financial results and materially harm NRG's financial condition. Further, due to rising insurance costs and changes in the insurance markets, NRG cannot provide any assurance that its insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Any losses not covered by insurance could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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Maintenance, expansion and refurbishment of power generation facilities involve significant risks that could result in unplanned power outages or reduced output and could have a material adverse effect on NRG's results of operations, cash flow and financial condition.

Many of NRG's facilities are old and require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditures could result in reduced profitability.

NRG cannot be certain of the level of capital expenditures that will be required due to changing environmental and safety laws and regulations (including changes in the interpretation or enforcement thereof), needed facility repairs and unexpected events (such as natural disasters or terrorist attacks). The unexpected requirement of large capital expenditures could have a material adverse effect on the Company's liquidity and financial condition.

If NRG makes any major modifications to its power generation facilities, the Company may be required to install the best available control technology or to achieve the lowest achievable emission rates as such terms are defined under the new source review provisions of the federal Clean Air Act. Any such modifications would likely result in substantial additional capital expenditures.

The Company may incur additional costs or delays in the development, construction and operation of new plants, improvements to existing plants, or the implementation of environmental control equipment at existing plants and may not be able to recover their investment or complete the project.

The Company is developing or constructing new generation facilities, improving its existing facilities; and adding environmental controls to its existing facilities. The development, construction, expansion, modification and refurbishment of power generation facilities involve many additional risks, including:

- the inability to receive U.S. Department of Energy, or U.S. DOE, loan guarantees, funding or cash grants;
- delays in obtaining necessary permits and licenses;
- the inability to sell down interests in a project or develop successful partnering relationships;
- environmental remediation of soil or groundwater at contaminated sites;
- interruptions to dispatch at the Company's facilities;
- supply interruptions;
- work stoppages;
- labor disputes;
- weather interferences;
- unforeseen engineering, environmental and geological problems;
- unanticipated cost overruns;

exchange rate risks; and

failure of contracting parties to perform under contracts, including engineering, procurement and construction, or EPC, contractors.

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Any of these risks could cause NRG's financial returns on new investments to be lower than expected, or could cause the Company to operate below expected capacity or availability levels, which could result in lost revenues, increased expenses, higher maintenance costs and penalties. Insurance is maintained to protect against these risks, warranties are generally obtained for limited periods relating to the construction of each project and its equipment in varying degrees, and contractors and equipment suppliers are obligated to meet certain performance levels. The insurance, warranties or performance guarantees, however, may not be adequate to cover increased expenses. As a result, a project may cost more than projected and may be unable to fund principal and interest payments under its construction financing obligations, if any. A default under such a financing obligation could result in losing the Company's interest in a power generation facility.

Furthermore, where the Company has partnering relationships with a third party, the Company is subject to the viability and performance of the third party. The Company's inability to find a replacement contracting party, particularly an EPC contractor, where the original contracting party has failed to perform, could result in the abandonment of the development and/or construction of such project, while the Company could remain obligated on other agreements associated with the project, including power purchase agreements, or PPAs.

If the Company is unable to complete the development or construction of a facility or environmental control, or decides to delay, downsize, or cancel such project, it may not be able to recover its investment in that facility or environmental control. Furthermore, if construction projects are not completed according to specification, the Company may incur liabilities and suffer reduced plant efficiency, higher operating costs and reduced net income.

NRG and its subsidiaries have guaranteed the performance of third parties, which may result in substantial costs in the event of non-performance.

NRG and its subsidiaries have issued certain guarantees of the performance of others, which obligate NRG and its subsidiaries to perform in the event that the third parties do not perform. In the event of non-performance by the third parties, NRG could incur substantial cost to fulfill their obligations under these guarantees. Such performance guarantees could have a material impact on the operating results, financial condition, or cash flows of the Company.

The Company's development programs are subject to financing and public policy risks that could adversely impact NRG's financial performance or result in the abandonment of such development projects.

While NRG currently intends to develop and finance the more capital intensive projects on a non-recourse or limited recourse basis through separate project financed entities, and intends to seek additional investments in most of these projects from third parties, NRG anticipates that it will need to make significant equity investments in these projects. NRG may also decide to develop and finance some of the projects, such as smaller gas-fired and renewable projects, using corporate financial resources rather than non-recourse debt, which could subject NRG to significant capital expenditure requirements and to risks inherent in the development and construction of new generation facilities. In addition to providing some or all of the equity required to develop and build the proposed projects, NRG's ability to finance these projects on a non-recourse basis is contingent upon a number of factors, including the terms of the EPC contracts, construction costs, PPAs and fuel procurement contracts, capital markets conditions, the availability of tax credits and other government incentives for certain new technologies. To the extent NRG is not able to obtain non-recourse financing for any project or should the credit rating agencies attribute a material amount of the project finance debt to NRG's credit, the financing of the development projects could have a negative impact on the credit ratings of NRG.

NRG may also choose to undertake the repowering, refurbishment or upgrade of current facilities based on the Company's assessment that such activity will provide adequate financial returns. Such projects often require several years of development and capital expenditures before commencement of commercial operations, and key assumptions underpinning a decision to make such an investment may

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prove incorrect, including assumptions regarding construction costs, timing, available financing and future fuel and power prices.

Furthermore, the viability of the Company's renewable development projects are largely contingent on public policy mechanisms including production and investment tax credits, cash grants, loan guarantees, accelerated depreciation tax benefits, renewable portfolio standards, or RPS, and carbon trading plans. These mechanisms have been implemented at the state and federal levels to support the development of renewable generation, demand-side and smart grid, and other clean infrastructure technologies. The availability and continuation of public policy support mechanisms will drive a significant part of the economics and viability of the Company's development program and expansion into clean energy investments.

Supplier and/or customer concentration at certain of NRG's facilities may expose the Company to significant financial credit or performance risks.

NRG often relies on a single contracted supplier or a small number of suppliers for the provision of fuel, transportation of fuel and other services required for the operation of certain of its facilities. If these suppliers cannot perform, the Company utilizes the marketplace to provide these services. There can be no assurance that the marketplace can provide these services as, when and where required.

At times, NRG relies on a single customer or a few customers to purchase all or a significant portion of a facility's output, in some cases under long-term agreements that account for a substantial percentage of the anticipated revenue from a given facility. The Company has also hedged a portion of its exposure to power price fluctuations through forward fixed price power sales and natural gas price swap agreements. Counterparties to these agreements may breach or may be unable to perform their obligations. NRG may not be able to enter into replacement agreements on terms as favorable as its existing agreements, or at all. If the Company was unable to enter into replacement PPA's, the Company would sell its plants' power at market prices. If the Company is unable to enter into replacement fuel or fuel transportation purchase agreements, NRG would seek to purchase the Company's fuel requirements at market prices, exposing the Company to market price volatility and the risk that fuel and transportation may not be available during certain periods at any price.

The failure of any supplier or customer to fulfill its contractual obligations to NRG could have a material adverse effect on the Company's financial results. Consequently, the financial performance of the Company's facilities is dependent on the credit quality of, and continued performance by, suppliers and customers.

NRG relies on power transmission facilities that it does not own or control and that are subject to transmission constraints within a number of the Company's core regions. If these facilities fail to provide NRG with adequate transmission capacity, the Company may be restricted in its ability to deliver wholesale electric power to its customers and the Company may either incur additional costs or forego revenues. Conversely, improvements to certain transmission systems could also reduce revenues.

NRG depends on transmission facilities owned and operated by others to deliver the wholesale power it sells from the Company's power generation plants to its customers. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, NRG's ability to sell and deliver wholesale power may be adversely impacted. If a region's power transmission infrastructure is inadequate, the Company's recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure. The Company cannot also predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

In addition, in certain of the markets in which NRG operates, energy transmission congestion may occur and the Company may be deemed responsible for congestion costs if it schedules delivery of power between congestion zones during times when congestion occurs between the zones. If NRG were liable for such congestion costs, the Company's financial results could be adversely affected.

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The Company has a significant amount of generation located in load pockets, making that generation valuable, particularly with respect to maintaining the reliability of the transmission grid. Expansion of transmission systems to reduce or eliminate these load pockets could negatively impact the value or profitability of the Company's existing facilities in these areas.

Because NRG owns less than a majority of some of its project investments, the Company cannot exercise complete control over their operations.

NRG has limited control over the operation of some project investments and joint ventures because the Company's investments are in projects where it beneficially owns less than a majority of the ownership interests. NRG seeks to exert a degree of influence with respect to the management and operation of projects in which it owns less than a majority of the ownership interests by negotiating to obtain positions on management committees or to receive certain limited governance rights, such as rights to veto significant actions. However, the Company may not always succeed in such negotiations. NRG may be dependent on its co-venturers to operate such projects. The Company's co-venturers may not have the level of experience, technical expertise, human resources management and other attributes necessary to operate these projects optimally. The approval of co-venturers also may be required for NRG to receive distributions of funds from projects or to transfer the Company's interest in projects.

The GenOn Merger may not achieve its anticipated results, and NRG may be unable to integrate the operations of GenOn in the manner expected.

NRG and GenOn entered into the GenOn Merger Agreement with the expectation that the GenOn Merger will result in various benefits, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the GenOn Merger depends on whether the businesses of NRG and GenOn can be integrated in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of NRG's businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect the Company's ability to achieve the anticipated benefits of the GenOn Merger. NRG may have difficulty addressing possible differences in corporate cultures and management philosophies. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect NRG's future business, financial condition, operating results and prospects.

Future acquisition activities may have adverse effects.

NRG may seek to acquire additional companies or assets in the Company's industry or which complement the Company's industry. The acquisition of companies and assets is subject to substantial risks, including the failure to identify material problems during due diligence, the risk of over-paying for assets, the ability to retain customers and the inability to arrange financing for an acquisition as may be required or desired. Further, the integration and consolidation of acquisitions requires substantial human, financial and other resources and, ultimately, the Company's acquisitions may not be successfully integrated. There can be no assurances that any future acquisitions will perform as expected or that the returns from such acquisitions will support the indebtedness incurred to acquire them or the capital expenditures needed to develop them.

NRG's business is subject to substantial governmental regulation and may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

NRG's business is subject to extensive foreign, and U.S. federal, state and local laws. Compliance with the requirements under these various regulatory regimes may cause the Company to incur significant additional costs, and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines, and/or civil or criminal liability.

Public utilities under the Federal Power Act, or FPA, are required to obtain Federal Energy Regulatory Commission, or the FERC, acceptance of their rate schedules for wholesale sales of electricity. Except for the Electric Reliability Council of Texas, or ERCOT, generating facilities and power marketers, all of NRG's non-qualifying facility generating companies and power marketing affiliates in the U.S. make sales of electricity in interstate commerce and are public utilities for purposes of the FPA. The FERC has granted each of NRG's generating and power marketing companies that make sales of electricity outside of ERCOT the authority to sell electricity at market-based rates. The FERC's orders that grant NRG's generating and power marketing companies market-based rate authority reserve the right to revoke or revise that authority if the FERC subsequently determines that NRG can exercise market power in transmission or generation, create barriers to entry, or engage in abusive affiliate transactions. In addition, NRG's market-based sales are subject to certain market behavior rules, and if any of NRG's generating and power marketing companies were deemed to have violated one of those rules, they are subject to potential disgorgement of profits associated with the violation and/or suspension or revocation of their market-based rate authority. If NRG's generating and power marketing companies were to lose their market-based rate authority, such companies would be required to obtain the FERC's acceptance of a cost-of-service rate schedule and could become subject to the accounting, record-keeping, and reporting requirements that are imposed on utilities with cost-based rate schedules. This could have an adverse effect on the rates NRG charges for power from its facilities.

NRG is also affected by legislative and regulatory changes, as well as changes to market design, market rules, tariffs, cost allocations, and bidding rules that occur in the existing ISOs. The ISOs that oversee most of the wholesale power markets impose, and in the future may continue to impose, mitigation, including price limitations, offer caps, and other mechanisms to address some of the volatility and the potential exercise of market power in these markets. These types of price limitations and other regulatory mechanisms may have an adverse effect on the profitability of NRG's generation facilities that sell energy and capacity into the wholesale power markets.

The regulatory environment has undergone significant changes in the last several years due to state and federal policies affecting wholesale and retail competition and the creation of incentives for the addition of large amounts of new renewable generation and, in some cases, transmission. These changes are ongoing and the Company cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on NRG's business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, as well as proposals to re-regulate the markets or require divestiture by generating companies to reduce their market share. Other proposals to re-regulate may be made and legislative or other attention to the electric power market restructuring process may delay or reverse the deregulation process. If competitive restructuring of the electric power markets is reversed, discontinued, or delayed, the Company's business prospects and financial results could be negatively impacted.

NRG cannot predict at this time the outcome of the ongoing efforts by the U.S. Commodity Futures Trading Commission, or CFTC, to implement the Dodd-Frank Act and to increase the regulation of over-the-counter derivatives including those related to energy commodities. The CFTC efforts are seeking, among other things, increased clearing of such derivatives through clearing organizations and the increased standardization of contracts, products, and collateral requirements. Such changes could negatively impact NRG's ability to hedge its portfolio in an efficient, cost-effective manner by, among other things, limiting NRG's ability to utilize liens as collateral and decreasing liquidity in the forward commodity markets. The Company expects that in 2013 the CFTC will clarify the scope of the Dodd-Frank Act and issue final rules concerning margin requirements for transactions and other issues that will affect the Company's over-the-counter derivatives trading.

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NRG's ownership interest in a nuclear power facility subjects the Company to regulations, costs and liabilities uniquely associated with these types of facilities.

Under the Atomic Energy Act of 1954, as amended, or AEA, operation of South Texas Project, or STP, nuclear generating facility, of which NRG indirectly owns a 44.0% interest, is subject to regulation by the NRC. Such regulation includes licensing, inspection, enforcement, testing, evaluation and modification of all aspects of nuclear reactor power plant design and operation, environmental and safety performance, technical and financial qualifications, decommissioning funding assurance and transfer and foreign ownership restrictions. NRG's 44% share of the output of STP represents approximately 1,175 MW of generation capacity.

There are unique risks to owning and operating a nuclear power facility. These include liabilities related to the handling, treatment, storage, disposal, transport, release and use of radioactive materials, particularly with respect to spent nuclear fuel, and uncertainties regarding the ultimate, and potential exposure to, technical and financial risks associated with modifying or decommissioning a nuclear facility. The NRC could require the shutdown of the plant for safety reasons or refuse to permit restart of the unit after unplanned or planned outages. New or amended NRC safety and regulatory requirements may give rise to additional operation and maintenance costs and capital expenditures. STP may be obligated to continue storing spent nuclear fuel if the U.S. DOE continues to fail to meet its contractual obligations to STP made pursuant to the U.S. Nuclear Waste Policy Act of 1982 to accept and dispose of STP's spent nuclear fuel. See also Item 1 Environmental Matters U.S. Federal Environmental Initiatives Nuclear Waste for further discussion. Costs associated with these risks could be substantial and have a material adverse effect on NRG's results of operations, financial condition or cash flow. In addition, to the extent that all or a part of STP is required by the NRC to permanently or temporarily shut down or modify its operations, or is otherwise subject to a forced outage, NRG may incur additional costs to the extent it is obligated to provide power from more expensive alternative sources either NRG's own plants, third party generators or the ERCOT to cover the Company's then existing forward sale obligations. Such shutdown or modification could also lead to substantial costs related to the storage and disposal of radioactive materials and spent nuclear fuel.

While STP maintains property and liability insurance for losses related to nuclear operations, there may be limitations on the amounts and types of insurance commercially available. An accident at STP or another nuclear facility could have a material adverse effect on NRG's financial condition, its operational results, or liquidity as losses may exceed the insurance coverage available and/or may result in the obligation to pay retrospective premium obligations.

NRG is subject to environmental laws that impose extensive and increasingly stringent requirements on the Company's ongoing operations, as well as potentially substantial liabilities arising out of environmental contamination. These environmental requirements and liabilities could adversely impact NRG's results of operations, financial condition and cash flows.

NRG is subject to the environmental laws of foreign and U.S., federal, state and local authorities. The Company must comply with numerous environmental laws and obtain numerous governmental permits and approvals to build and operate the Company's plants. Should NRG fail to comply with any environmental requirements that apply to its operations, the Company could be subject to administrative, civil and/or criminal liability and fines, and regulatory agencies could take other actions seeking to curtail the Company's operations. In addition, when new requirements take effect or when existing environmental requirements are revised, reinterpreted or subject to changing enforcement policies, NRG's business, results of operations, financial condition and cash flows could be adversely affected.

Environmental laws and regulations have generally become more stringent over time, and the Company expects this trend to continue. Regulations currently under revision by the United State Environmental Protection Agency, or EPA, including the 316(b) rule to mitigate impact by once-through cooling, could result in more stringent standards or reduced compliance flexibility. While the NRG fleet employs advanced controls, new regulations to address the ever more stringent National Ambient Air Quality Standards, limit greenhouse gas emissions, or GHGs, or restrict ash handling at coal-fired power plants could also further affect plant operations.

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Policies at the national, regional and state levels to regulate GHG emissions, as well as climate change, could adversely impact NRG's results of operations, financial condition and cash flows.

NRG's GHG emissions for 2012 can be found in Item 1, *Business Environmental Matters*, of our 2012 Form 10-K. The impact of further legislation or regulation of GHGs on the Company's financial performance will depend on a number of factors, including the level of GHG standards, the extent to which mitigation is required, the applicability of offsets, and the extent to which NRG would be entitled to receive CO2 emissions credits without having to purchase them in an auction or on the open market.

The Company operates generating units in Connecticut, Delaware, Maryland, Massachusetts, and New York that are subject to RGGI, which is a regional cap and trade system. In February 2013, RGGI, Inc. released a model rule that if adopted by the member states would reduce the number of allowances available and potentially increase the price of each allowance. Each of these states has proposed a rule that would reduce the number of allowances, which we believe would increase the price of each allowance. If adopted, the proposed rule could adversely impact NRG's results of operations, financial condition and cash flows.

The California CO2 cap and trade program for electric generating units greater than 25 MW commenced in 2013. The impact on the Company depends on the cost of the allowances and the ability to pass these costs through to customers.

GHG emissions from power plants are regulated under various section of the Clean Air Act. In 2012, EPA proposed stringent standards for GHG emissions from certain new fossil-fueled electric generating units (simple-cycle CTs are not covered). The proposed standard is in effect until the rule is finalized or re-proposed. EPA has released a pre-publication version of its re-proposed rule for new units, which we expect will be published in the fourth quarter of 2013. The re-proposal is expected to include simple cycle CTs that exceed a certain capacity factor and is expected to create a different but still stringent standard for coal-fired units. The Company expects EPA to issue another rule that will require states to develop CO2 standards that would apply to existing fossil-fueled generating facilities at some future date. This rule could adversely impact NRG's results of operations, financial condition and cash flows.

Hazards customary to the power production industry include the potential for unusual weather conditions, which could affect fuel pricing and availability, the Company's route to market or access to customers, i.e., transmission and distribution lines, or critical plant assets. To the extent that climate change contributes to the frequency or intensity of weather related events, NRG's operations and planning process could be impacted.

NRG's business, financial condition and results of operations could be adversely impacted by strikes or work stoppages by its unionized employees or inability to replace employees as they retire.

As of December 31, 2012, approximately 51% of NRG's employees at its U.S. generation plants were covered by collective bargaining agreements. In the event that the Company's union employees strike, participate in a work stoppage or slowdown or engage in other forms of labor strife or disruption, NRG would be responsible for procuring replacement labor or the Company could experience reduced power generation or outages. NRG's ability to procure such labor is uncertain. Strikes, work stoppages or the inability to negotiate future collective bargaining agreements on favorable terms could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow. In addition, a number of the Company's employees at NRG's plants are close to retirement. The Company's inability to replace those workers could create potential knowledge and expertise gaps as those workers retire.

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Changes in technology may impair the value of NRG's power plants.

Research and development activities are ongoing to provide alternative and more efficient technologies to produce power, including "clean" coal and coal gasification, wind, photovoltaic (solar) cells, energy storage, and improvements in traditional technologies and equipment, such as more efficient gas turbines. Advances in these or other technologies could reduce the costs of power production to a level below what the Company has currently forecasted, which could adversely affect its cash flow, results of operations or competitive position.

Risks that are beyond NRG's control, including but not limited to acts of terrorism or related acts of war, natural disaster, hostile cyber intrusions or other catastrophic events could have a material adverse effect on NRG's financial condition, results of operations and cash flows.

NRG's generation facilities and the facilities of third parties on which they rely may be targets of terrorist activities, as well as events occurring in response to or in connection with them, that could cause environmental repercussions and/or result in full or partial disruption of the facilities ability to generate, transmit, transport or distribute electricity or natural gas. Strategic targets, such as energy-related facilities, may be at greater risk of future terrorist activities than other domestic targets. Hostile cyber intrusions, including those targeting information systems as well as electronic control systems used at the generating plants and for the distribution systems, could severely disrupt business operations and result in loss of service to customers, as well as significant expense to repair security breaches or system damage. Any such environmental repercussions or disruption could result in a significant decrease in revenues or significant reconstruction or remediation costs, beyond what could be recovered through insurance policies which could have a material adverse effect on the Company's financial condition, results of operations and cash flow.

NRG's level of indebtedness could adversely affect its ability to raise additional capital to fund its operations, or return capital to stockholders. It could also expose it to the risk of increased interest rates and limit its ability to react to changes in the economy or its industry.

NRG's substantial debt could have negative consequences, including:

- increasing NRG's vulnerability to general economic and industry conditions;
- requiring a substantial portion of NRG's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, therefore reducing NRG's ability to pay dividends to holders of its preferred or common stock or to use its cash flow to fund its operations, capital expenditures and future business opportunities;
- limiting NRG's ability to enter into long-term power sales or fuel purchases which require credit support;
- exposing NRG to the risk of increased interest rates because certain of its borrowings, including borrowings under its senior secured credit facility, are at variable rates of interest;
- limiting NRG's ability to obtain additional financing for working capital including collateral postings, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting NRG's ability to adjust to changing market conditions and placing it at a competitive disadvantage compared to its competitors who have less debt.

The indentures for NRG's notes and senior secured credit facility contain financial and other restrictive covenants that may limit the Company's ability to return capital to stockholders or otherwise engage in activities that may be in its long-term best interests. NRG's failure to comply with those

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covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of the Company's indebtedness.

In addition, NRG's ability to arrange financing, either at the corporate level or at a non-recourse project-level subsidiary, and the costs of such capital, are dependent on numerous factors, including:

- general economic and capital market conditions;
- credit availability from banks and other financial institutions;
- investor confidence in NRG, its partners and the regional wholesale power markets;
- NRG's financial performance and the financial performance of its subsidiaries;
- NRG's level of indebtedness and compliance with covenants in debt agreements;
- maintenance of acceptable credit ratings;
- cash flow; and
- provisions of tax and securities laws that may impact raising capital.

NRG may not be successful in obtaining additional capital for these or other reasons. The failure to obtain additional capital from time to time may have a material adverse effect on its business and operations.

Goodwill and/or other intangible assets not subject to amortization that NRG has recorded in connection with its acquisitions are subject to mandatory annual impairment evaluations and as a result, the Company could be required to write off some or all of this goodwill and other intangible assets, which may adversely affect the Company's financial condition and results of operations.

In accordance with ASC 350, Intangibles Goodwill and Other, or ASC 350, goodwill is not amortized but is reviewed annually or more frequently for impairment and other intangibles are also reviewed at least annually or more frequently, if certain conditions exist, and may be amortized. Any reduction in or impairment of the value of goodwill or other intangible assets will result in a charge against earnings which could materially adversely affect NRG's reported results of operations and financial position in future periods.

A valuation allowance may be required for NRG's deferred tax assets.

A valuation allowance may need to be recorded against deferred tax assets that the Company estimates are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. A valuation allowance related to deferred tax assets can be affected by changes to tax laws, statutory tax rates and future taxable income levels. In the event that the Company determines that it would not be able to realize all or a portion of its net deferred tax assets in the future, the Company would reduce such amounts through a charge to income tax expense in the period in which that determination was made, which could have a material adverse impact on the Company's financial condition and results of operations.

Volatile power supply costs and demand for power could adversely affect the financial performance of NRG's retail energy businesses.

Although NRG is the primary provider of the supply requirements for NRG's retail energy businesses, or the Retail Business, the Retail Business purchases a significant portion of its supply requirements from third parties. As a result, financial performance depends on its ability to obtain adequate supplies of electric generation from third parties at prices below the prices it charges its customers. Consequently, the Company's earnings and cash flows could be adversely affected in any period in which the Retail Business power supply costs rise at a greater

rate than the rates it charges to

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customers. The price of power supply purchases associated with the Retail Business's energy commitments can be different than that reflected in the rates charged to customers due to, among other factors:

- varying supply procurement contracts used and the timing of entering into related contracts;
- subsequent changes in the overall price of natural gas;
- daily, monthly or seasonal fluctuations in the price of natural gas relative to the 12-month forward prices;
- transmission constraints and the Company's ability to move power to its customers; and
- changes in market heat rate (i.e., the relationship between power and natural gas prices).

The Company's earnings and cash flows could also be adversely affected in any period in which the demand for power significantly varies from the forecasted supply, which could occur due to, among other factors, weather events, competition and economic conditions.

Significant events beyond the Company's control, such as hurricanes and other weather-related problems or acts of terrorism, could cause a loss of load and customers and thus have a material adverse effect on the Company's Retail Business.

The uncertainty associated with events beyond the Company's control, such as significant weather events and the risk of future terrorist activity, could cause a loss of load and customers and may affect the Company's results of operations and financial condition in unpredictable ways. In addition, significant weather events or terrorist actions could damage or shut down the power transmission and distribution facilities upon which the Retail Business is dependent. Power supply may be sold at a loss if these events cause a significant loss of retail customer load.

The Company's Retail Business may lose a significant number of retail customers due to competitive marketing activity by other retail electricity providers which could adversely affect the financial performance of NRG's Retail Business.

The Retail Business faces competition for customers. Competitors may offer lower prices and other incentives, which may attract customers away from the Retail Business. In some retail electricity markets, the principal competitor may be the incumbent retail electricity provider. The incumbent retail electricity provider has the advantage of long-standing relationships with its customers, including well-known brand recognition. Furthermore, the Retail Business may face competition from a number of other energy service providers, other energy industry participants, or nationally branded providers of consumer products and services who may develop businesses that will compete with NRG and its Retail Business.

The Company's Retail Business is subject to the risk that sensitive customer data may be compromised, which could result in an adverse impact to its reputation and/or the results of operations of the Retail Business.

The Retail Business requires access to sensitive customer data in the ordinary course of business. Examples of sensitive customer data are names, addresses, account information, historical electricity usage, expected patterns of use, payment history, credit bureau data, credit and debit card account numbers, drivers license numbers, social security numbers and bank account information. The Retail Business may need to provide sensitive customer data to vendors and service providers who require access to this information in order to provide services, such as call center operations, to the Retail Business. If a significant breach occurred, the reputation of NRG and the Retail Business may be adversely affected, customer confidence may be diminished, or NRG and the Retail Business may be subject to legal claims, any of which may contribute to the loss of customers and have a negative impact on the business and/or results of operations.

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Risks Related to this Distribution and Our Common Stock

NRG cannot assure you that it will be able to continue paying dividends at the current rate.

As noted elsewhere in this prospectus, NRG currently expects to continue to pay quarterly dividends. However, NRG may not continue to pay dividends at the current rate or at all, for reasons that may include any of the following factors:

- NRG may not have enough cash to pay such dividends due to changes in NRG's cash requirements, capital spending plans, financing agreements, cash flow or financial position;

- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the NRG board of directors, or Board, which reserves the right to change NRG's dividend practices at any time and for any reason; and

- NRG may not receive dividend payments from its subsidiaries in the same level that it has historically. The ability of NRG's subsidiaries to make dividend payments to it is subject to factors similar to those listed above.

NRG's stockholders should be aware that they have no contractual or other legal right to dividends that have not been declared.

Risks Related to the Acquisition

If completed, the acquisition may not achieve its intended results, and NRG may be unable to successfully integrate the assets and operations acquired from EME.

NRG entered into the Purchase Agreement with EME and the Purchaser, on October 18, 2013. Pursuant to the Purchase Agreement, the Purchaser, a wholly owned subsidiary of NRG, agreed to purchase substantially all of the assets of EME with the expectation that the Acquisition will result in various benefits. Achieving the anticipated benefits of the Acquisition is subject to a number of uncertainties, including whether the assets of EME can be integrated in an efficient and effective manner.

It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of each company's ongoing businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect NRG's ability to achieve the anticipated benefits of the acquisition. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect the combined company's future business, financial condition, operating results and prospects.

The pro forma financial statements included in this prospectus are presented for illustrative purposes only and may not be an indication of NRG's financial condition or results of operations following the acquisition.

The pro forma financial statements contained in this prospectus are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates and may not be an indication of NRG's financial condition or results of operations following the acquisition for several reasons. See "Unaudited Pro Forma Condensed Consolidated Combined Financial Statements" beginning on page 28 of this prospectus. The actual financial condition and results of operations of NRG following the acquisition may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect NRG's financial condition or results of operations following the acquisition. Any potential decline in NRG's financial condition or results of operations may cause significant variations in the stock price of NRG.

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SELLING STOCKHOLDER

Pursuant to the Purchase Agreement, NRG will issue the shares set forth in the table below to EME. EME, the selling stockholder, will distribute the shares of common stock to the unsecured creditors of EME pursuant to the Plan as described in the "Plan of Distribution."

Name and address of Selling Stockholder	Shares owned before the offering		Shares offered hereby	Shared owned after the offering	
	Number	Percentage		Number	Percentage
Edison Mission Energy(1) 3 MacArthur Place, Suite 100 Santa Ana, California 92707	12,671,977	3.9%	12,671,977	0	0%

(1) EME is an indirect, wholly owned subsidiary of Edison International. As such, Edison International has voting and investment power over the shares being offered under this prospectus.

PLAN OF DISTRIBUTION

EME, as the selling stockholder and a statutory underwriter, will distribute the shares of our common stock covered by this prospectus to its unsecured creditors in accordance with the terms and conditions of the Plan. The distribution by EME will not occur until the transactions contemplated by the Plan are consummated and the Plan becomes effective. The Plan is expected to be confirmed by the Bankruptcy Court on February 19, 2014.

The Plan generally will provide for each of EME's unsecured creditors to receive a pro rata portion of (i) the total amount of the newly issued shares of NRG common stock, which shares will be freely tradable by such creditors that are not affiliates of NRG, and (ii) certain cash proceeds. After the distribution of our common stock by EME under the Plan, creditors of EME that receive shares of our common stock pursuant to the Plan will be stockholders of NRG.

NRG has agreed to indemnify EME and certain of its affiliates against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that EME and certain of its affiliates may be required to make for these liabilities.

USE OF PROCEEDS

We will not receive any proceeds from the distribution by EME, the selling stockholder, of shares of our common stock offered under this prospectus.

DIVIDEND POLICY

On February 28, 2012, NRG announced its intention to initiate an annual common stock dividend of $0.36 per share, and paid its first quarterly dividend on NRG's common stock of $0.09 per share on August 15, 2012. On each of November 15, 2012 and February 15, 2013, NRG paid a quarterly dividend on the Company's common stock of $0.09 per share. On February 27, 2013, NRG announced its intention to increase the annual common stock dividend to $0.48 per share, and on each of May 15, 2013, August 15, 2013 and November 15, 2013, NRG paid a quarterly dividend on the Company's common stock of $0.12 per share.

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PRO FORMA FINANCIAL STATEMENTS

Unaudited Pro Forma Condensed Consolidated Combined Financial Statements

The Unaudited Pro Forma Condensed Consolidated Combined Financial Statements, or the pro forma financial statements, combine the historical consolidated financial statements of NRG Energy, Inc., or NRG, and Edison Mission Energy, or EME, to illustrate the potential effect of the Acquisition. The pro forma financial statements are based on, and should be read in conjunction with, the:

- accompanying notes to the Unaudited Pro Forma Condensed Consolidated Combined Financial Statements;
- consolidated financial statements of NRG for the year ended December 31, 2012 and for the nine months ended September 30, 2013 and the notes relating thereto, incorporated herein by reference; and
- consolidated financial statements of EME for the year ended December 31, 2012 and for the nine months ended September 30, 2013 and the notes relating thereto, incorporated herein by reference.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable and (3) with respect to the pro forma statements of operations, expected to have a continuing impact on the combined results. The Unaudited Pro Forma Condensed Consolidated Combined Statements of Operations, or the pro forma statement of operations, for the year ended December 31, 2012 and for the nine months ended September 30, 2013, give effect to the Acquisition as if it occurred on January 1, 2012. The Unaudited Pro Forma Condensed Consolidated Combined Balance Sheet, or the pro forma balance sheet, as of September 30, 2013, gives effect to the Acquisition as if it occurred on September 30, 2013.

As described in the accompanying notes, the pro forma financial statements have been prepared using the acquisition method of accounting under existing United States generally accepted accounting principles, or GAAP, and the regulations of the Securities and Exchange Commission. The expected purchase price will be allocated to EME's assets and liabilities based upon their estimated fair values as of the date of the Acquisition. Valuations necessary to determine the fair value of the assets and liabilities have not been completed and cannot be made prior to the completion of the transaction.

Accordingly, the pro forma purchase price adjustments are preliminary, subject to future adjustments, and have been made solely for the purpose of providing the unaudited pro forma combined financial information presented herewith. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma financial statements and the combined company's future results of operations and financial position. The pro forma financial statements have been presented for informational purposes only and are not necessarily indicative of what the combined company's results of operations and financial position would have been had the Acquisition been completed on the dates indicated. NRG could incur significant costs to integrate NRG's and EME's businesses. The pro forma financial statements do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities. In addition, the pro forma financial statements do not purport to project the future results of operations or financial position of the combined company.

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Unaudited Pro Forma Condensed Consolidated Combined Income Statement
Nine months ended September 30, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical	Pro Forma Adjustments	Pro Forma Combined
	(in millions, except share and per share data)			
Operating revenues				
Total operating revenues	$ 8,500	$ 1,007	$ (20)(a)	$ 9,487
Operating Costs and Expenses				
Cost of operations	6,179	785		6,964
Depreciation and amortization	921	209	(66)(b)	1,064
Selling, general and administrative	671	92		763
Asset impairment and other charges		462		462
Acquisition-related transaction and integration costs	95			95
Development activity expense	63			63
Total operating costs and expenses	7,929	1,548	(66)	9,411
Operating Income/(Loss)	571	(541)	46	76
Other Income/(Expense)				
Equity in earnings of unconsolidated affiliates	6	43		49
Other income, net	9	9		18
Loss on debt extinguishment	(50)	(3)		(53)
Interest expense	(630)	(64)	(34)(c)	(728)
Total other income / (expense)	(665)	(15)	(34)	(714)
Loss From Continuing Operations Before Income Taxes	(94)	(556)	12	(638)
Reorganization items, net		99		99
Income tax benefit	(47)	(25)	(5)(d)	(77)
Loss From Continuing Operations	$ (47)	$ (630)	$ 17	$ (660)
Income (Loss) Per Share From Continuing Operations				
Weighted average number of common shares outstanding basic	323			336
Income (Loss) from Continuing Operations per share basic	$ (0.15)			$ (1.96)
Weighted average number of common shares outstanding diluted	323			336
Income (Loss) from Continuing Operations per share diluted	$ (0.15)			$ (1.96)

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Unaudited Pro Forma Condensed Combined Consolidated Income Statement
Year ended December 31, 2012

	NRG Energy, Inc. Historical	Edison Mission Energy Historical	Pro Forma Adjustments	Pro Forma Combined
		(in millions, except share and per share data)		
Operating revenues				
Total operating revenues	$ 8,422	$ 1,287	$ (44)(a)	$ 9,665
Operating Costs and Expenses				
Cost of operations	6,087	1,172		7,259
Depreciation and amortization	950	268	(88)(b)	1,130
Selling, general and administrative	892	147		1,039
Asset impairments and other charges		28		28
Acquisition-related transaction and integration costs	107			107
Development activity expense	36			36
Total operating costs and expenses	8,072	1,615	(88)	9,599
Operating Income	350	(328)	44	66
Other Income / (Expense)				
Equity in earnings of unconsolidated affiliates	37	46		83
Gain on bargain purchase (GenOn)	560			560
Impairment charge on investment	(2)			(2)
Other income, net	19	14		33
Loss on debt extinguishment	(51)			(51)
Interest expense	(661)	(326)	226(c)	(761)
Total other income / (expense)	(98)	(266)	226	(138)
Income (Loss) From Continuing Operations Before Income Taxes	252	(594)	270	(72)
Reorganization items, net		43		43
Income tax expense (benefit)	(327)	160	(101)(d)	(268)
Income (Loss) From Continuing Operations	$ 579	$ (797)	$ 371	$ 153
Income (Loss) Per Share From Continuing Operations				
Weighted average number of common shares outstanding basic	232			245
Income (Loss) from Continuing Operations per share basic	$ 2.50			$ 0.62
Weighted average number of common shares outstanding diluted	234			247
Income (Loss) from Continuing Operations per share diluted	$ 2.47			$ 0.62

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Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
As of September 30, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical(e)	Pro Forma Adjustments	Pro Forma Combined
		(in millions)		
ASSETS				
Current Assets				
Cash and cash equivalents	$ 2,129	$ 1,138	$ (1,585)(f)	$ 1,682
Funds deposited by counterparties	122			122
Restricted cash	307	15		322
Accounts receivable trade, net	1,366	81		1,447
Inventory	861	121		982
Derivative instruments valuation	1,389	35		1,424
Deferred income taxes				
Cash Collateral paid in support of energy risk mgmt activities	288	85		373
Renewable energy grant receivable	345			345
Prepayments and Other Current Assets	442	50		492
Total current assets	7,249	1,525	(1,585)	7,189
Property, Plant and Equipment				
Property, plant and equipment, net of accumulated depreciation	20,600	3,934	(1,445)(g)	23,089
Other Assets				
Equity investments in affiliates	626	543		1,169
Notes receivable, less current portion	76			76
Goodwill	1,953			1,953
Intangible assets, net of accumulated amortization	1,141			1,141
Nuclear decommissioning trust	524			524
Derivative instruments	506	21		527
Deferred income taxes	1,499			1,499
Other non-current assets	689	1,031		1,720
Total other assets	7,014	1,595		8,609
Total Assets	$ 34,863	$ 7,054	$	

Net assets applicable to common shareholders	$109,631,234
Net asset value per common share ($109,631,234 applicable to 6,676,450 common shares outstanding)	$16.42

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

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Special Opportunities Fund, Inc.–

Statement of operations

	For the year ended December 31, 2010
Investment income:	
Interest	$ 173,581
Dividends	1,798,028
Total investment income	1,971,609
Expenses:	
Investment advisory fees	1,121,939
Administration fees and expenses	86,361
Professional fees and expenses	351,685
Reports and notices to shareholders	25,962
Custody fees and expenses	13,436
Accounting fees and expenses	34,770
Directors’ fees and expenses	128,865
Stock exchange listing fees and tender offer filing fees	26,709
Transfer agency fees and expenses	12,850
Insurance fees	26,348
Compliance fees and expenses	36,743
Other expenses	10,741
	1,876,409
Less: Fee waivers by investment advisor	(193,402)
Net expenses	1,683,007
Net investment income	288,602
Net realized and unrealized gains from investment activities:	
Net realized gains from:	
Investments	4,291,288
Distributions received from investment companies	90,580
Net change in unrealized appreciation of investments	8,866,559
Net realized and unrealized gains from investment activities	13,248,427
Net increase in net assets applicable to common shareholders resulting from operations	$ 13,537,029

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

Special Opportunities Fund, Inc.–

Statement of cash flows

	For the year ended December 31, 2010
Cash flows from operating activities:	
Net increase in net assets applicable to common shareholders	$13,537,029
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Purchases of investments	(136,069,206)
Proceeds from sales of investments	45,328,894
Net purchases and sales of short-term investments	283,886,086
Amortization and accretion of premium and discount	10,454
Increase in dividends and interest receivable	(346,694)
Increase in receivable for investments sold	(348,280)
Increase in other assets	(71)
Decrease in payable for investments purchased	193,408
Increase in payable to Adviser	91,625
Decrease in payable to directors	(12,479)
Decrease in dividends payable	(825,135)
Decrease in accrued expenses and other liabilities	(114,238)
Net realized gains from investments	(4,291,288)
Net change in unrealized appreciation of investments	(8,866,559)
Net cash provided by operating activities	192,173,546
Cash flows from financing activities:	
Payment on repurchase of common stock through tender offer	(197,838,117)
Cash dividends paid to common shareholders	(200,293)
Net cash used in financing activities	(198,038,410)
Net change in cash	$(5,864,864)
Cash:	
Beginning of year	5,864,958
End of year	$94

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

Special Opportunities Fund, Inc.–

Statements of changes in net assets applicable to common shareholders

	For the year ended December 31, 2010	For the nine months ended December 31, 2009	For the year ended March 31, 2009
From operations:			
Net investment income	$ 288,602	$ 10,815,697	$ 18,158,627
Net realized gains (losses) from investments and futures	4,381,868	4,749,108	(7,049,177)
Net change in unrealized appreciation (depreciation) of investments and futures	8,866,559	20,680,226	(7,444,086)
Dividends paid to auction preferred shareholders from:			
Net investment income	—	(424,510)	(5,063,642)
Net realized gains from investment activities	—	—	—
Total dividends and distributions paid to auction preferred shareholders	—	(424,510)	(5,063,642)
Net increase (decrease) in net assets applicable to common shareholders resulting from operations	13,537,029	35,820,521	(1,398,278)
Dividends paid to common shareholders from:			
Net investment income	(200,293)	(10,953,661)	(12,222,305)
Net realized gains from investment activities	—	—	—
Total dividends and distributions paid to common shareholders	(200,293)	(10,953,661)	(12,222,305)
Capital Share Transactions (Note 5)			
Repurchase of common stock through tender offer	(197,838,117)	—	—
Net decrease in net assets from capital share transactions	(197,838,117)	—	—
Net increase (decrease) in net assets applicable to common shareholders	(184,501,381)	24,866,860	(13,620,583)
Net assets applicable to common shareholders:			
Beginning of period	294,132,615	269,265,755	282,886,338
End of period	$ 109,631,234	$ 294,132,615	$ 269,265,755
Accumulated undistributed net investment income	$ 273,788	$ 185,479	$ 911,646

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

Special Opportunities Fund, Inc.–

Financial highlights
Selected data for a share of common stock outstanding throughout each period is presented below:

Net asset value, beginning of period
Net investment income
Net realized and unrealized gains (losses) from investment activities
Common share equivalent of dividends and distributions paid to auction preferred shareholders from:
Net investment income
Net realized gains from investment activities
Total dividends and distributions paid to auction preferred shareholders
Net increase (decrease) from operations
Dividends and distributions paid to common shareholders from:
Net investment income
Net realized gains from investment activities
Total dividends and distributions paid to common shareholders
Net asset value, end of period
Market value, end of period
Total net asset value return(3)
Total market price return(4)
Ratio to average net assets attributable to common shares:
Total expenses, net of fee waivers by investment advisor and administrator including interest expense
and fees on floating rate notes
Total expenses, before fee waivers by investment advisor and administrator including interest expense
and fees on floating rate notes
Total expenses, net of fee waivers by investment advisor and administrator excluding interest expense
and fees on floating rate notes
Net investment income before dividends paid to auction preferred shareholders
Dividends paid to auction preferred shareholders from net investment income
Net investment income available to common shareholders
Supplemental data:
Net assets applicable to common shareholders, end of period (000's)
Portfolio turnover
Asset coverage per share of auction preferred shares, end of period

Special Opportunities Fund, Inc.–

For the year ended December 31, 2010		For the nine months ended December 31, 2009		For the years ended March 31, 2009		2008		2007		2006	
$14.26		$13.05		$13.71		$14.96		$14.70		$14.93	
0.04	(1)(2)	0.52	(1)	0.88	(1)	0.97	(1)	0.94	(1)	0.90	
2.15		1.24		(0.70	)	(1.22	)	0.33		0.02	
—		(0.02	)	(0.25	)	(0.39	)	(0.34	)	(0.22	)
—		—		—		(0.01	)	(0.02	)	(0.07	)
—		(0.02	)	(0.25	)	(0.40	)	(0.36	)	(0.29	)
2.19		1.74		(0.07	)	(0.65	)	0.91		0.63	
(0.03	)	(0.53	)	(0.59	)	(0.58	)	(0.62	)	(0.65	)
—		—		—		(0.02	)	(0.03	)	(0.21	)
(0.03	)	(0.53	)	(0.59	)	(0.60	)	(0.65	)	(0.86	)
$16.42		$14.26		$13.05		$13.71		$14.96		$14.70	
$14.75		$14.09		$11.37		$12.38		$13.48		$13.02	
15.36	%	13.51	%	(0.39	)%	(4.52	)%	6.31	%	4.29	%
4.90	%	29.00	%	(3.32	)%	(3.86	)%	8.83	%	9.51	%
1.50	%(7)	1.03	%(5)(6)	1.73	%(6)	1.18	%	1.25	%	1.39	%
1.67	%(7)	1.92	%(5)(6)	2.62	%(6)	1.88	%	1.88	%	1.90	%
1.50	%(7)	0.99	%(5)	1.59	%	1.18	%	1.25	%	1.39	%
0.26	%(2)	5.00	%(5)	6.71	%	6.66	%	6.32	%	5.95	%
—		0.20	%(5)	1.87	%	2.68	%	2.31	%	1.48	%
0.26	%(2)	4.80	%(5)	4.84	%	3.98	%	4.01	%	4.47	%
$109,631		$294,133		$269,266		$282,886		$308,552		$303,315	
73	%	7	%	27	%	30	%	39	%	57	%
$—		$—		$136,860		$117,354		$123,465		$122,218	

Special Opportunities Fund, Inc.–

Financial highlights

(1) Calculated using the average shares method.

(2) Recognition of net investment income by the Fund is affected by the timing and declaration of dividends by the underlying investment companies in which the Fund invests.

(3) Total net asset value return is calculated assuming a $10,000 purchase of common stock at the current net asset value on the first day of each period reported and a sale at the current net asset value on the last day of each period reported, and assuming reinvestment of dividends and other distributions at the net asset value on the payable date for dividends and other distributions payable through December 31, 2009 and reinvested at the NAV on the ex-dividend date for dividends and other distributions payable after December 31, 2009. Total investment return based on net asset value is hypothetical as investors can not purchase or sell Fund shares at net asset value but only at market prices. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.

(4) Total market price return is calculated assuming a $10,000 purchase of common stock at the current market price on the first day of each period reported and a sale at the current market price on the last day of each period reported, and assuming reinvestment of dividends and other distributions to common shareholders at prices obtained under the Fund's Dividend Reinvestment Plan (which was terminated on January 1, 2010) for dividends and other distributions payable through December 31, 2009 and reinvested at the lower of the NAV or the closing market price on the ex-dividend date for dividends and other distributions payable after December 31, 2009. Total investment return does not reflect brokerage commissions and has not been annualized for the period of less than one year. Returns do not reflect the deduction of taxes that a shareholder could pay on Fund dividends and other distributions, if any, or the sale of Fund shares.

(5) Annualized.

(6) Interest expense represents interest and fees on short term floating rate notes issued in conjunction with inverse floating rate securities. Interest income from such transactions was included in income from investment operations.

(7) Does not include expenses of the investment companies in which the Fund invests.

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

Special Opportunities Fund, Inc.–

Notes to financial statements

Note 1
Organization and significant accounting policies

Special Opportunities Fund, Inc. (formerly, Insured Municipal Income Fund Inc.) (the "Fund") was incorporated in Maryland on February 18, 1993, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, as a closed-end diversified management investment company. Effective December 21, 2009, the Fund changed its name to the Special Opportunities Fund, Inc. and changed its investment objective to total return. There can be no assurance that the Fund's investment objective will be achieved. The Fund's previous investment objective was to achieve a high level of current income that was exempt from federal income tax, consistent with the preservation of capital.

In the normal course of business, the Fund may enter into contracts that contain a variety of representations or that provide indemnification for certain liabilities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

The preparation of financial statements in accordance with Accounting Standards Codification Topic 105 Generally Accepted Accounting Principals requires the Fund's management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements. The following is a summary of significant accounting policies:

Valuation of investments—The Fund calculates its net asset value based on the current market value for its portfolio securities. The Fund normally obtains market values for its securities from independent pricing sources and broker-dealers. Independent pricing sources may use last reported sale prices or if not available the most recent bid price, current market quotations or valuations from computerized "matrix" systems that derive values based on comparable securities. A matrix system incorporates parameters such as security quality, maturity and coupon, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining the valuation of the portfolio securities. If a market value is not available from an independent pricing source or a broker-dealer for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the "Board"). Various factors may be reviewed in order to make a good faith determination of a security's fair value.

Special Opportunities Fund, Inc.–

Notes to financial statements

The auction rate preferred securities and the structured life settlement notes are valued at cost, unless other observable market events occur. The purchase price, or cost, of these securities is arrived at through an arms length transaction between a willing buyer and seller in the secondary market and is indicative of the value on the secondary market. Current transactions in similar securities in the marketplace are evaluated. Factors for other securities may include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; and changes in overall market conditions. If events occur that materially affect the value of securities between the close of trading in those securities and the close of regular trading on the New York Stock Exchange, the securities may be fair valued. The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, unless the Board or its delegate determines that this does not represent fair value.

The Fund has adopted fair valuation accounting standards that establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various input and valuation techniques used in measuring fair value. Fair value inputs are summarized in the three broad levels listed below:

Level 1–Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2–Observable inputs other that quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3–Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Special Opportunities Fund, Inc.–

Notes to financial statements

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is a summary of the fair valuations according to the inputs used as of December 31, 2010 in valuing the Fund's investments:

	Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investment Companies	$57,456,047	$40,634	$—	$57,496,681
Auction Rate Preferred Securities	—	—	18,706,625	18,706,625
Common Stocks	7,762,385	11,093,110	—	18,855,495
Preferred Stocks	—	1,858,598	—	1,858,598
Convertible Preferred Stocks	—	962,056	—	962,056
Corporate Bonds	—	4,649,250	—	4,649,250
Structured Life Settlement Notes	—	—	1,260,000	1,260,000
Warrants	—	99,000	—	99,000
Rights	—	0	—	0
Money Market Funds	5,396,121	—	—	5,396,121
Total	$70,614,553	$18,702,648	$19,966,625	$109,283,826

Balance as of December 31, 2009	$—
Accrued discounts / premiums	—
Realized gain (loss)	266,750
Change in unrealized appreciation (depreciation)	(35,625)
Net purchases (sales)	19,735,500
Transfers in and / or out of Level 3	—
Balance as of December 31, 2010	$19,966,625

During the year ended December 31, 2010, the Fund recognized no significant transfers to/from Level 1 or Level 2. Additional disclosure surrounding the activity in Level 3 fair value measurement will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact, if any, this disclosure may have on the Fund's financial statements.

Concentration risk—The Fund invested 17.06% of its net assets in auction rate preferred securities as of December 31, 2010. An active market for auction rate preferred securities does not exist. There is no guarantee that the Fund could receive the fair value price for these securities if it tried to sell them in the secondary market.

Investment transactions and investment income—Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated using the identified cost method. Interest income is recorded on an accrual basis. Discounts are accreted and premiums are amortized as adjustments to interest income and the identified cost of investments.

Futures contracts—Upon entering into a financial futures contract, the Fund was required to deliver to a broker an amount of cash and/or securities equal to a certain percentage of the contract amount. This amount is known as the "initial margin." Subsequent payments, known as "variation margin", was made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying financial futures contracts. Such variation margin was recorded for financial statement purposes on a daily basis as unrealized gain or loss until the financial futures contract was closed, at which time the net gain or loss was reclassified to realized gain or loss on futures. Variation margin calls could have been substantial in the event of adverse price movements.

Using financial futures contracts involves various market risks. If the Fund was unable to liquidate a futures position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses and would continue to be subject to market risk with respect to the position. In addition, the Fund was required to make variation margin payments and was required to maintain the position being hedged or to maintain cash or securities in a separate account. Furthermore, certain characteristics of the futures market might increase the risk that movements in the prices of the financial futures contracts might not correlate perfectly with movements in the prices of the investments being hedged, including temporary price distortion. The separate account for margin was maintained at the futures counterparty and would be subject to risks or delays if the counterparty becomes insolvent. The Fund had no futures contracts outstanding during the year ended December 31, 2010.

Dividends and distributions—Dividends from net investment income and distributions of net realized capital gains, if any, will be declared and paid at least annually. Dividends and distributions to common shareholders are recorded on the ex-dividend date. Prior to October 2009, dividends to auction preferred shareholders were accrued daily. The amount of dividends from net investment income and distributions from net realized capital gains was determined in accordance with federal income tax regulations, which may differ from U.S.

Special Opportunities Fund, Inc.–

Notes to financial statements

generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

Note 2
Investment advisor and administrator
Effective October 19, 2009, the Board appointed Brooklyn Capital Management, LLC ("Brooklyn") as the interim investment adviser to the Fund. At a Special Meeting of Shareholders held on December 10, 2009, shareholders approved an investment advisory agreement between the Fund and Brooklyn. In accordance with the investment advisory agreement, the Fund is obligated to pay Brooklyn a monthly investment advisory fee at an annual rate of 1.00% of the Fund's average weekly net assets. Brooklyn agreed to waive its investment advisory fee, subject to reimbursement for reasonable expenses, until the Fund commenced and completed a tender offer for its common stock, which was completed in January 2010. The Fund entered into an administrative services agreement (the "Administration Agreement") with U.S. Bancorp Fund Services, LLC (the "Administrator"), which was effective on October 19, 2009.

Brooklyn waived $193,402 of investment advisory fees for the year ended December 31, 2010.

Note 3
Auction preferred shares
The Fund was subject to certain restrictions relating to the APS. Failure to comply with these restrictions could have precluded the Fund from declaring any distributions to common shareholders or repurchasing common shares and/or could have triggered the mandatory redemption of APS at liquidation value.

All APS were redeemed in October 2009.

Note 4
Purchases and sales of securities
For the year ended December 31, 2010, aggregate purchases and sales of portfolio securities, excluding short-term securities, were $136,069,206 and $45,328,894, respectively.

Note 5
Capital share transactions
During the year ended December 31, 2010, a total of 13,951,912 shares or approximately 67.63% of the Fund's outstanding common shares were validly tendered pursuant to a tender offer approved by the Board. All such shares were

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Special Opportunities Fund, Inc.–

Notes to financial statements

accepted for payment at a price of $14.18 per share (99.5% of the NAV per common share of $14.25).

Note 6
Federal tax status
The Fund intends to distribute its income and to comply with the other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for federal income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income, net realized capital gains and certain other amounts, if any, the Fund would not to be subject to a federal excise tax.

The tax character of distributions paid during the fiscal year ended December 31, 2010 and the nine months ended December 31, 2009 were as follows:

Distributions paid from:	For the year ended December 31, 2010	For the nine months ended December 31, 2009	For the year ended March 31, 2009
Tax-exempt income	$184,078	$11,378,171	$17,283,881
Ordinary income	16,215	—	2,066
Total distributions paid	$200,293	$11,378,171	$17,285,947

The Fund designated as long-term capital gain dividends, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits for the Fund related to net capital gains to zero for the year ended December 31, 2010.

The following information is presented on an income tax basis as of December 31, 2010:

Tax cost of investments	$100,417,267
Unrealized appreciation	9,242,232
Unrealized depreciation	(375,673)
Net unrealized appreciation	8,866,559
Undistributed ordinary income	273,788
Undistributed long-term gains	—
Total distributable earnings	273,788
Other accumulated losses and other temporary differences	(3,645,121)
Total accumulated losses	5,495,226

At December 31, 2010, the Fund had a net capital loss carryforward of $3,645,121. This loss carryforward is available as a reduction, to the extent provided in the regulations, of any future net realized capital gains and will expire on December 31, 2016. To the extent that such losses are used to offset future net realized capital gains, it is probable these gains will not be distributed.

Special Opportunities Fund, Inc.–

Notes to financial statements

In accordance with U.S. Treasury regulations, the Fund may elect to defer realized capital losses arising after October 31, 2010. Such losses are treated for tax purposes as arising on January 1, 2011. The Fund did not defer any realized capital losses.

The Fund did not have any permanent “book/tax” differences for the year ended December 31, 2010.

For the year ended December 31, 2010, the Fund did not have any liabilities for any unrecognized tax positions. The Fund recognizes interest and penalties, if any, related to unrecognized tax positions as income tax expense in the Statement of operations. During the year ended December 31, 2010, the Fund did not incur any interest or penalties.

Each of the tax years in the two year period ended March 31, 2009, the nine months ended December 31, 2009 and the year ended December 31, 2010 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of
Special Opportunities Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Special Opportunities Fund, Inc. including the portfolio of investments, as of December 31, 2010, and the related statement of operations and cash flows for the year then ended, the statement of changes in net assets and the financial highlights for the year then ended and the nine month period ended December 31, 2009. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The statement of changes in net assets for the year ended March 31, 2009 and the financial highlights for each of the four years in the period ended March 31, 2009, have been audited by other auditors, whose report dated May 19, 2009 expressed an unqualified opinion on such financial statements and financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Special Opportunities Fund, Inc. as of December 31, 2010, the results of its operations and cash flows for the year then ended, the changes in its net assets and the financial highlights for the year then ended and the nine month period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
February 23, 2011

Special Opportunities Fund, Inc.–

General information (unaudited)

The Fund

Special Opportunities Fund, Inc. (the "Fund") is a diversified, closed-end management investment company whose common shares trade on the New York Stock Exchange ("NYSE"). The Fund's NYSE trading symbol is "SPE." On April 21, 2010 the Fund's symbol changed from "PIF" to "SPE." Comparative net asset value and market price information about the Fund is available weekly in various publications.

Annual meeting of shareholders held on September 16, 2010

The Fund held an annual meeting of shareholders (the "Meeting") on September 16, 2010 to vote on the following matters:

(1) To elect six directors to serve until the annual meeting of stockholders in 2011 and until their successors are elected and qualify or until they resign or are otherwise removed;

(2) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Proxy results

The presence, in person or by proxy, of shareholders entitled to cast a majority of the votes entitled to be cast at the Meeting (i.e., the presence of a majority of the shares outstanding on the record date of July 30, 2010) was necessary to constitute a quorum for the transaction of business. At the Meeting, the holders of approximately 89.87% of the common stock outstanding as of the record date were represented in person or by proxy (5,999,853 votes), thus constituting a quorum for the matters to be voted upon by all shareholders at the Meeting.

The actual voting results for the agenda items were as follows:

Proposal to elect James Chadwick as a director:

FOR	% of Quorum	% of O/S	WITHHELD
5,685,496	94.76%	85.16%	314,357

Proposal to elect Andrew Dakos as a director:

FOR	% of Quorum	% of O/S	WITHHELD
5,682,636	94.71%	85.11%	317,217

Proposal to elect Phillip Goldstein as a director:

FOR	% of Quorum	% of O/S	WITHHELD
5,681,712	94.70%	85.10%	318,141

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Special Opportunities Fund, Inc.–

General information (unaudited)

Proposal to elect Ben Hormel Harris as a director:

FOR	% of Quorum	% of O/S	WITHHELD
5,687,581	94.80%	85.19%	312,272

Proposal to elect Gerald Hellerman as a director:

FOR	% of Quorum	% of O/S	WITHHELD
5,683,433	94.73%	85.13%	316,420

Proposal to elect Charles C. Walden as a director:

FOR	% of Quorum	% of O/S	WITHHELD
5,688,094	94.80%	85.20%	311,759

*O/S = outstanding shares

Additional tax information
For the fiscal year ended December 31, 2010, certain dividends paid by the Fund may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund did not declare any dividends from ordinary income that were designated as qualified dividend income.

For corporate shareholders, the Fund did not have any ordinary income distributions that qualified for the corporate dividends received deduction for the fiscal year ended December 31, 2010.

The Fund did not have any taxable ordinary income distributions that were designated as short-term capital gain distributions under Internal Revenue Section 871(k)(2)(C).

Quarterly Form N-Q portfolio schedule
The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Forms N-Q are available on the SEC’s Web site at http://www.sec.gov. The Fund’s Forms N-Q may be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the SEC’s Public Reference Room may be obtained by calling 1-800-SEC-0330. Additionally, you may obtain copies of Forms N-Q from the Fund upon request by calling 1-877-607-0414.

Proxy voting policies, procedures and record
You may obtain a description of the Fund’s (1) proxy voting policies, (2) proxy voting procedures and (3) information regarding how the Fund voted any proxies related to portfolio securities during the most recent 12-month period ended June 30 for which an SEC filing has been made, without charge, upon request by contacting the Fund directly at 1-877-607-0414, or on the EDGAR Database on the SEC’s Web site (http://www.sec.gov).

Special Opportunities Fund, Inc.–

Supplemental information (unaudited)

The following table sets forth the directors and officers of the Fund, his name, address, age, position with the Fund, term of office and length of service with the Fund, principal occupation or employment during the past five years and other directorships held at December 31, 2010.

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director
		INTERESTED DIRECTOR			
Andrew Dakos*** (44)	President as of October 2009.	1 year; Since 2009	Principal and Chief Compliance Officer of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds.	1	Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation.
Phillip Goldstein*** (65)	Chairman and Secretary as of October 2009.	1 year; Since 2009	Principal of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds.	1	Chairman, Mexico Equity and Income Fund, Inc.; Chairman, Brantley Capital Corporation; Director, ASA Ltd.
Gerald Hellerman**** (73)	Chief Compliance Officer and Chief	1 year; Since 2009	Managing Director of Hellerman Associates (a financial and corporate consulting firm).	1	Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital

Financial Officer as of January 2010.		Corporation; Director, MVC Capital, Inc.; Director, Old Mutual Absolute Return and Emerging Managers Fund Complex (consisting of six funds).

Special Opportunities Fund, Inc.–

Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director
INDEPENDENT DIRECTORS					
James Chadwick (37)	—	1 year; Since 2009	Managing Director of Opus Partners, LLC (private equity firm); Managing Director of Harlingwood Equity Partners LP; Managing Partner of Chadwick Capital Management.	1	None
Ben Harris (42)	—	1 year; Since 2009	Chief Financial Officer and General Counsel of NHI II, LLC and NBC Bancshares, LLC; Investment Professional of MVC Capital, Inc. and The Tokarz Group Advisers, LLC.	1	None
Charles C. Walden (66)	—	1 year; Since 2009	President and Owner of Sound Capital Associates, LLC (consulting firm); Chief Investment Officer of Knights of Columbus (fraternal benefit society selling life insurance and annuities).	1	Lead Trustee, Third Avenue Funds (fund complex consisting of five funds and one variable series trust).

OFFICERS

Andrew Dakos*** (44)	President as of October 2009.	1 year; Since 2009	Principal and Chief Compliance Officer of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds.	n/a	n/a
Rajeev Das (41)	Vice-President and Treasurer as of October 2009.	1 year; Since 2009	Principal, Bulldog Investors, a group of Investment Funds; Managing member of the General Partner of Opportunity Income Plus L.P., an investment fund.	n/a	n/a

Special Opportunities Fund, Inc.–

Supplemental information (unaudited)

Name, Address and Age*	Position(s) Held with the Fund	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director**	Other Directorships held by Director
Phillip Goldstein*** (65)	Chairman and Secretary as of October 2009.	1 year; Since 2009	Principal of the Adviser; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of funds.	n/a	n/a
Gerald Hellerman**** (73)	Chief Compliance Officer and Chief Financial Officer as of January 2010.	1 year; Since 2009	Managing Director of Hellerman Associates (a financial and corporate consulting firm).	n/a	n/a

* The address for all directors and officers is c/o Special Opportunities Fund, Inc., 615 East Michigan Street, Milwaukee, WI 53202.

** The Fund Complex is comprised of only the Fund.

*** Messrs. Dakos and Goldstein are each considered an “interested person” of the Fund within the meaning of the 1940 Act because of their affiliation with Brooklyn Capital Management, LLC, the Adviser and their positions as officers of the Fund.

**** Mr. Hellerman is considered an “interested person” of the Fund within the meaning of the 1940 Act because he serves as the Fund’s Chief Compliance Officer and Chief Financial Officer.

Special Opportunities Fund, Inc.–

New York Stock Exchange certifications (unaudited)

On October 14, 2010, the Fund submitted an annual certification to the New York Stock Exchange (“NYSE”) in which the Fund’s president certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE’s Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund’s president and treasurer have made quarterly certifications, included in the filing with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund’s disclosure controls and procedures and internal control over financial reporting.

Special Opportunities Fund, Inc.
–

Privacy policy notice

The following is a description of the Fund's policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

CATEGORIES OF INFORMATION THE FUND COLLECTS. The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address, phone number, social security number, assets, income and date of birth); and

2. Information about the Consumer's transactions: this category includes information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

CATEGORIES OF INFORMATION THE FUND DISCLOSES. The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

CONFIDENTIALITY AND SECURITY. The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

This privacy policy notice is not a part of the shareholder report.

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Investment Adviser
Brooklyn Capital Management, LLC
Park 80 West
250 Pehle Avenue, Suite 708
Saddle Brook, NJ 07663

Administrator and Fund Accountant
U.S. Bancorp Fund Services, LLC
615 East Michigan Street
Milwaukee, WI 53202

Custodian
U.S. Bank, N.A.
Custody Operations
1555 North RiverCenter Drive, Suite 302
Milwaukee, WI 53212

Transfer Agent and Registrar
American Stock Transfer & Trust Company, LLC
59 Maiden Lane
New York, NY 10038

Independent Registered Public Accounting Firm
Tait, Weller & Baker LLP
1818 Market Street, Suite 2400
Philadelphia, PA 19103

Fund Counsel
Blank Rome LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174

Special Opportunities Fund, Inc.
1-877-607-0414
www.specialopportunitiesfundinc.com

Item 2. Code of Ethics.

The registrant has adopted a code of ethics that applies to the registrant's principal executive officer and principal financial officer. The registrant has not made any amendments to its code of ethics during the period covered by this report. The registrant has not granted any waivers from any provisions of the code of ethics during the period covered by this report.

A copy of the registrant's Code of Ethics is filed herewith.

Item 3. Audit Committee Financial Expert.

The registrant's board of directors has determined that there is at least one audit committee financial expert serving on its audit committee. James Chadwick is the "audit committee financial expert" and is considered to be "independent" as each term is defined in Item 3 of Form N-CSR.

Item 4. Principal Accountant Fees and Services.

(a) Audit Fees:

For the fiscal year ended December 31, 2010 and the fiscal nine months ended December 31, 2009, the aggregate Tait, Weller & Baker LLP ("TWB") audit fees for professional services rendered to the registrant were approximately $38,500 and $38,000, respectively.

Fees included in the audit fees category are those associated with performing an audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

(b) Audit-Related Fees:

For the fiscal year ended December 31, 2010, the aggregate audit-related fees billed by TWB for services rendered to the registrant that are reasonable related to the performance of the audit, but not reported as audit fees, were approximately $2,000. For the fiscal nine months ended December 31, 2009, the aggregate audit-related fees billed by TWB and Ernst & Young LLP ("E&Y") for services rendered to the registrant that are reasonable related to the performance of the audit, but not reported as audit fees, were approximately $2,000 and $6,283, respectively.

Fees included in the audit-related category are those associated with (1) the cursory review of the semi-annual report, (2) auction preferred shares testing for the registrant's fiscal nine months ended December 31, 2009 and (3) review of profitability report.

The Audit Committee pre-approved the fees for TWB for the cursory review of the semi-annual report. There were no other audit-related fees required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal periods indicated above.

(c) Tax Fees:

For the fiscal year ended December 31, 2010, the aggregate tax fees billed by TWB for professional services rendered to the registrant were $10,000. For the fiscal nine months ended December 31, 2009, the aggregate tax fees billed by TWB and E&Y for professional services rendered to the registrant were $10,000 and $3,305, respectively.

Fees included in the tax fees category comprise all services performed by professional staff in the independent accountant's tax division except those services related to the audits. This category comprises fees for review of tax compliance, Federal income tax returns and excise tax calculations.

There were no tax fees required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal periods indicated above.

(d) All Other Fees:

In the fiscal year ended December 31, 2010 and the fiscal nine months ended December 31, 2009, there were no fees billed by TWB or E&Y for products and services, other than the services reported in Item 4(a)-(c) above, rendered to the registrant.

There were no "all other fees" required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal periods indicated above.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The audit committee has adopted pre-approval policies and procedures that require the audit committee to pre-approve all audit and non-audit services of the registrant, including services provided to any entity affiliated with the registrant.

(e)(2) Services approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X:

Audit-Related Fees:

There were no amounts that were approved by the audit committee pursuant to the de minimis exception for the fiscal year ended December 31, 2010 and the fiscal nine months ended December 31, 2009 on behalf of the registrant.

There were no amounts that were required to be approved by the audit committee pursuant to the de minimis exception for the fiscal year ended December 31, 2010 and the fiscal nine month ended December 31, 2009 on behalf of the registrant's service providers that relate directly to the operations and financial reporting of the registrant.

Tax Fees:

There were no amounts that were approved by the audit committee pursuant to the de minimis exception for the fiscal year ended December 31, 2010 and the fiscal nine months ended December 31, 2009 on behalf of the registrant.

There were no amounts that were required to be approved by the audit committee pursuant to the de minimis exception for the fiscal year ended December 31, 2010 and the fiscal nine month ended December 31, 2009 on behalf of the registrant's service providers that relate directly to the operations and financial reporting of the registrant.

All Other Fees:

There were no amounts that were approved by the audit committee pursuant to the de minimis exception for the fiscal year ended December 31, 2010 and the fiscal nine months ended December 31, 2009 on behalf of the registrant.

There were no amounts that were required to be approved by the audit committee pursuant to the de minimis exception for the fiscal year ended December 31, 2010 and the fiscal nine month ended December 31, 2009 on behalf of the registrant's service providers that relate directly to the operations and financial reporting of the registrant.

(f) All of the principal accountant's hours spent on auditing the registrant's financial statements were attributed to work performed by full-time permanent employees of the principal accountant.

(g) For the fiscal year ended December 31, 2010 and the fiscal nine months ended December 31, 2009, the aggregate fees billed by TWB of $12,000 for non-audit services rendered on behalf of the registrant, its investment adviser and any entity controlling, controlled by, or under common control with the adviser that provides (or provided during the relevant fiscal period) services to the registrant for each of the last two fiscal periods of the registrant is shown in the table below. For the fiscal nine months ended December 31, 2009, the aggregate fees billed by E&Y of $1,004,526 for non-audit services rendered on behalf of the registrant ("covered"), its previous investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and any entity controlling, controlled by, or under common control with the adviser ("non-covered") that provides (or provided during the relevant fiscal period) services to the registrant for the fiscal period of the registrant is shown in the table below:

	December 31, 2010	December 31, 2009
Registrant	$12,000	$12,000 (TWB) $9,588 (E&Y)
Registrant's Investment Adviser	$0	$0
Registrant's Previous Investment Adviser	$0	$994,938

(h) The registrant's previous audit committee was not required to consider whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Item 5. Audit Committee of Listed Registrants.

The Audit Committee is comprised of Mr. James Chadwick, Mr. Ben H. Harris and Mr. Charles C. Walden.

Item 6. Investments.

Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this Form.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The registrant's policy regarding proxy voting is to delegate the voting of proxies with respect to securities owned by the Fund to the Adviser. The Adviser's policies and procedures regarding proxy voting are below.

Brooklyn Capital Management, LLC

Proxy Voting Policies and Procedures

Proxy Voting Policies

Brooklyn Capital Management, LLC ("Brooklyn Capital") recognizes and adheres to the principle that one of the privileges of owning stock in a company is the right to vote on issues submitted to shareholder vote, such as election of directors and important matters affecting a company's structure and operations. As an investment adviser with a fiduciary responsibility to the Special Opportunities Fund, Inc. (the "Fund"), Brooklyn Capital analyzes the proxy

statements of issuers whose stock is owned by the Fund and votes proxies on behalf of the Fund.

Brooklyn Capital's decisions with respect to proxy issues are made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company. Proxies are voted solely in the interests of the Fund and its shareholders.

Proxy Voting Procedures

In evaluating proxy statements, the Fund's portfolio managers rely upon their own fundamental research, and information presented by company management and shareholder groups. Brooklyn Capital will not delegate its proxy voting responsibility on behalf of the Fund to a third party proxy voting service.

Proxy Voting Guidelines

Brooklyn Capital will generally vote proxies in favor of proposals that, in the opinion of the Fund's portfolio managers, seek to enhance shareholder democracy. In those instances where shareholder democracy is not affected by the issue submitted to vote, Brooklyn Capital will endeavor to vote in the best economic interest of the Fund. With respect to proxies of closed-end investment companies whose shares are held by the Fund, Brooklyn Capital adheres to a "mirror voting" policy, whereby Brooklyn Capital will vote its shares in proportion to those votes cast by such investment company's shareholders.

Monitoring and Resolving Conflicts of Interest

When reviewing proxy statements and related research materials, the Fund's portfolio managers will consider whether any business or other relationships between a portfolio manager, Brooklyn Capital and a portfolio company could influence a vote on such proxy matter. With respect to personal conflicts of interest, Brooklyn Capital's Code of Ethics requires all members to avoid activities, perquisites, gifts, or receipt of investment opportunities that could interfere with the their ability to act objectively and effectively in the best interests of Brooklyn Capital and the Fund, and restricts their ability to engage in certain outside business activities. Portfolio managers with a personal conflict of interest regarding a particular proxy vote must recuse themselves and not participate in the voting decisions with respect to that proxy.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

Information is presented as of January 31, 2011.

(a)(1):

The Portfolio Manager of the Fund is comprised of principals and employees of Brooklyn Capital Management LLC, the Fund's investment adviser. Phillip Goldstein, Andrew Dakos, and Rajeev Das comprise the group (the "Group") of individuals responsible for the day-to-day management of the registrant's portfolio. The business experience of Messrs. Goldstein, Dakos, and Das during the past 5 years is as follows:

Phillip Goldstein: Managing Member of Brooklyn Capital Management LLC since its inception in October 2009. Since 1992, Mr. Goldstein has been an investment advisor and a principal of the general partner of seven investment partnerships in the Bulldog Investors group of funds. He is also a principal for the general partner of the sub-adviser to 3 other pooled investment vehicles as well as 2 separately managed accounts. He has been a director of the following closed-end funds: Mexico Equity and Income Fund since 2000, Brantley Capital Corporation since 2001 and ASA Ltd since 2008. Mr. Goldstein may buy and sell securities for the Fund's portfolio without limitation.

Andrew Dakos: Managing Member of Brooklyn Capital Management LLC since its inception in October 2009. Mr. Dakos has been an investment advisor and a principal of the general partner of seven investment partnerships in the Bulldog Investors group of funds. He is also a principal for the general partner of the sub-adviser to 3 other pooled investment vehicles as well as 2 separately managed accounts. He has been a director of the Mexico Equity and Income Fund since 2001 and Brantley Capital Corporation intermittently since 2005 and currently. Mr. Dakos currently serves as the Chief Compliance Officer of Brooklyn Capital Management LLC. Mr. Dakos may buy and sell securities for the Fund's portfolio without limitation.

Rajeev Das: Head Trader of Brooklyn Capital Management LLC since its inception in October 2009. Mr. Das is a Managing Member of the general partner of Opportunity Income Plus L.P., an investment partnership in the Bulldog Investors group of investment funds. Mr. Das is Head Trader of Bulldog Investors. He has been a Director of The Mexico Equity and Income Fund, Inc. since 2001 and served as a Director of Brantley Capital Corporation from September 2005 to March 2006. Mr. Das provides the Group with research and analysis used by the Group to determine the attractiveness of certain prospective investments. Mr. Das may buy and sell securities for the Fund's portfolio under the supervision of Mr. Goldstein and Mr. Dakos.

(a)(2):

(i) Phillip Goldstein and Andrew Dakos
(ii) Number of other accounts managed by Mr. Goldstein and Mr. Dakos within each of the following categories:
(A) Registered investment companies: 0
(B) Other pooled investment vehicles: 10
(C) Other accounts: 2
(iii) Number of other pooled investment vehicles, and total assets therein, with respect to which the advisory fee is based on the performance of the account: 10 pooled investment vehicles; $302.2 million. Number of "other accounts," and total assets therein, with respect to which the advisory fee is based on the performance of the account: 2 other accounts; $22.2 million.

(i) Rajeev Das
(ii) Number of other accounts managed by Mr. Das within each of the following categories:
(A) Registered investment companies: 0
(B) Other pooled investment vehicles: 1
(C) Other accounts: 0
(iii) Number of other pooled investment vehicles, and total assets therein, with respect to which the advisory fee is based on the performance of the account: 1; $11.3 million.
(iv) Certain conflicts of interest may arise in connection with the Portfolio Manager's management of the Fund's portfolio and the portfolios of other accounts managed by the investment advisor and/or its affiliates, as a result of different investment strategies among such accounts. In addition, in cases where the investment strategies are the same or very similar, various factors (including, but not limited to, tax considerations, amount of available cash, and risk tolerance) may result in substantially different portfolios in such accounts. Material conflicts of interest could arise in the allocation of investment opportunities between the Fund and the other pooled investment vehicles managed by members of the Group. Brooklyn Capital Management, LLC has adopted Trade Allocation Policy and Procedures in order to avoid unfairness and strive to achieve an equitable balancing of competing interests with respect to the allocation of trades.

(a)(3):
Compensation for Mr. Goldstein and Mr. Dakos is comprised solely of net income generated by the Fund's investment adviser. Compensation for Mr. Das is comprised of a fixed salary plus a discretionary bonus based on performance to be determined by Messrs. Goldstein and Dakos.

(a)(4):

As of January 31, 2011, Mr. Goldstein owns 6,350 shares of the registrant and Messrs. Dakos and Das own 0 shares of the registrant.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

The following purchases were made by or on behalf of the registrant or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, of shares of the registrant's equity securities that are registered by the Registrant pursuant to Section 12 of the Exchange Act made in the period covered by this report.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1, 2010 to January 31, 2010	13,951,912 shares	$14.18	13,951,912 shares	0
February 1, 2010 to February 28, 2010	N/A	N/A	N/A	N/A
March 1, 2010 to March 31, 2010	N/A	N/A	N/A	N/A
April 1, 2010 to April 30, 2010	N/A	N/A	N/A	N/A
May 1, 2010 to May 31, 2010	N/A	N/A	N/A	N/A
June 1, 2010 to June 30, 2010	N/A	N/A	N/A	N/A
July 1, 2010 to July 31, 2010	N/A	N/A	N/A	N/A
August 1, 2010 to August 31, 2010	N/A	N/A	N/A	N/A
September 1, 2010 to September 30, 2010	N/A	N/A	N/A	N/A
October 1, 2010 to October 31, 2010	N/A	N/A	N/A	N/A
November 1, 2010 to November 30, 2010	N/A	N/A	N/A	N/A
December 1, 2010 to December 31, 2010	N/A	N/A	N/A	N/A
Total	13,951,912 shares	$14.18	13,951,912 shares	0

a. The date each plan or program was announced – 1) December 23, 2009
b. The dollar amount (or share or unit amount) approved – 1) Up to 75% of its outstanding shares, or 15,471,272 of the Fund's issued and outstanding shares
c. The expiration date (if any) of each plan or program – 1) January 22, 2010 at 5:00 p.m., New York City time.
d. Each plan or program that has expired during the period covered by the table – 1) Completed in January 2010
e. Each plan or program the registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases – 1) Completed in January 2010

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors.

The Nominating and Corporate Governance Committee will consider nominees recommended by shareholders if a vacancy occurs. In order to recommend a nominee, a shareholder should send a letter to the chairperson of the Nominating and Corporate Governance Committee, care of the Administrator, 615 East Michigan Street, Milwaukee, WI 53202, and indicate on the envelope "Nominating and Corporate Governance Committee." The shareholder's letter should state the nominee's name and should include the nominee's résumé or curriculum vitae, and must be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by shareholders.

Item 11. Controls and Procedures.

(a) The Registrant's President and Chief Financial Officer have reviewed the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as of a date within 90 days of the filing of this report, as required by Rule 30a-3(b) under the Act and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934. Based on their review, such officers have concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed in this report is appropriately recorded, processed, summarized and reported and made known to them by others within the Registrant and by the Registrant's service provider.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 12. Exhibits.

(a) (1) Any code of ethics or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy Item 2 requirements through filing an exhibit. Filed herewith.

(2) A separate certification for each principal executive and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.

(3) Any written solicitation to purchase securities under Rule 23c-1 under the Act sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons. None.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Special Opportunities Fund, Inc.

By (Signature and Title) /s/ Andrew Dakos
Andrew Dakos, President

Date March 2, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Andrew Dakos
Andrew Dakos, President

Date March 2, 2011

By (Signature and Title) /s/ Gerald Hellerman
Gerald Hellerman, Chief Financial Officer
Date March 1, 2011