

DYNEGY INC.
Form DFAN14A
November 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Dynergy Inc.

(Name of Registrant as Specified in its Charter)

Seneca Capital International Master Fund, L.P.

Seneca Capital, L.P.

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Seneca Capital Investments, L.P.

Seneca Capital Investments, LLC

Seneca Capital International GP, LLC

Seneca Capital Advisors, LLC

Douglas A. Hirsch

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

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SAVING DYNEGY:
THE POWER OF CHANGE
Seneca Capital
NOVEMBER 2010

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performance, causing actual results to differ from those discussed or presented in this presentation.

This presentation is based on, and contains references to third-party sources of information, and we make no representation or warranty thereof. The inclusion of such information is not an indication of any participation in or endorsement of the views expressed herein.

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (together with each of the foregoing, "Seneca") have jointly made a filing with the Securities and Exchange Commission ("SEC") of a proxy statement and an accompanying proxy card to be used to solicit votes in connection with the proposed acquisition of Dynegy by Denali Parent Inc. and Denali Merger Sub Inc., which will be voted on at a meeting of Dynegy. SENECA ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, ONCE AVAILABLE, SENECA MAY PROVIDE COPIES OF THE PROXY STATEMENT. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR, GEORGESON, INC. Each of Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch is a participant in this solicitation. Douglas A. Hirsch is the principal occupation of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC and Seneca Capital Advisors, LLC. The principal occupation of Seneca Capital Investments, LLC is the general partner of Seneca Capital Investments, L.P. Seneca Capital International GP, LLC is the general partner of Seneca Capital International Master Fund, L.P., and Seneca Capital Advisors, LLC is the general partner of Seneca Capital, L.P. The principal occupation of Seneca Capital Investments, LLC, Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital International Master Fund, L.P. is c/o Seneca Capital Investments, LP, 590 Madison Avenue, 28th Floor, New York, New York 10022.

As of November 4, 2010, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of Dynegy's common stock ("Shares"), representing beneficial ownership of approximately 6.4% of the Shares. As of November 4, 2010, Seneca Capital, L.P. beneficially owned 904,100 Shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch is deemed to beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may be deemed to beneficially own 904,100 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims beneficial ownership of such Shares to the extent of its or his pecuniary interest therein, and this filing shall not be deemed an admission of beneficial ownership of such Shares. As of November 4, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held over-the-counter European Shares purchased in a private placement purchase 1,986,900 and 904,100 shares, respectively at an exercise price of \$1.00 per share as of January 21, 2011.

CERTAIN INFORMATION CONCERNING THE PARTICIPANTS

WE VOTE NO
TO THE PROPOSED DEAL
WRONG PRICE

We
believe
worth
more

than
\$6
per
share
today
and
up
to
\$16

-
\$18
in
a
recovery
scenario

Valued at less than 1/3 of replacement cost

Nearly 7.5% unlevered free cash flow yield at low point in electricity price cycle rising to as much as 14 -

17% in a power price recovery with additional upside if gas prices recover

Substantial optionality of assets and balance sheet creates highly compelling asymmetric risk/reward opportunity

WRONG TIME

Down
42%
since
proposal
of
ill-conceived
and
questionably
motivated
reverse
split

-
dramatic
underperformance

Traded down to virtually its ALL-TIME low on the day prior to Merger announcement

Cyclical trough in power industry with Q1 2011 EPA clean air rule proposals providing a roadmap to recovery

Highly flexible bond structure allows access to liquidity and provides optionality

WRONG REASONS

Management owns approximately \$1 million of unrestricted stock but receives almost \$38 million (\$0.31/share)

if
deal
closes

an
arrangement
that

is
largely
irrespective
of
deal
price

Management has engaged in a scorched-earth campaign making sudden unsubstantiated claims about liquidity in a stark contrast to public statements in the weeks leading up to the deal
Transaction structure featured significant obstacles to attracting superior offers, including NRG
exclusivity

and
a
\$50
million
break-up
fee

-
9.2%
of
equity
value,

a
nearly
unprecedented
%
of
equity

Break-up fees are typically compared to equity purchase price, not enterprise value

3

AND YES TO THE POWER OF
CHANGE

NEW LEADERSHIP

What if

shareholders elect two high-quality directors that believe in the
value proposition for a re-focused Dynegy?

ALIGNMENT OF INTERESTS

What if
shareholders propose a compensation plan that properly aligns
directors/management with shareholder value?

SHAREHOLDER VOICE

What if
shareholders propose resolutions encouraging:

Review of top management

Strategic review of assets

Optimization of debt structure

Optimization of cost structure

Unwind of reverse stock split

4

**MAKING THE REFOCUSED DYNEGY THE PREMIER VEHICLE TO
PARTICIPATE IN POWER MARKET RECOVERY**

WHY IS SENECA SPEAKING
OUT?

Seneca is the largest economic equity holder in Dynegy

11.8% total interest includes 9.3% of voting common stock and economic exposure

to

an

additional

2.5%
of
common
stock
through
non-voting
\$0.01
European
call
options

Seneca only benefits if stock price improves and loses money if stock price declines

Seneca has no other interests in Dynegy debt or equity

No equity shorts, CDS, bonds, LCDS, bank debt, structured interests or any other positions

13D rules compel disclosure

Seneca has a successful track record of concentrated long-term, deep-value investments in the power and energy sector

Supported shareholder alignment in Texas Genco and RRI directly followed by substantial gains for shareholders

Members of Seneca team have covered Dynegy closely for more than 10 years

Seneca has only filed one other 13D since our founding in 1996

Uniquely attractive nature of Dynegy investment opportunity compels us to take this extraordinary step

5

A DIFFERENCE IN ALIGNMENT
DRIVES A DIFFERENCE OF OPINION
VALUE

-
Seller at \$4.50/sh (\$0.90/sh pre-
reverse split) after buying nearly 30%
of stock in August 09 from LS Power

at nearly \$10/sh

-

12% economic interest in Dynegy
(9.3% voting stock)

-

Only motivation is increasing
shareholder
value

fully
aligned

Dynegy

Seneca

LIQUIDITY

STRATEGY

NATURAL GAS /

ENVIRONMENTAL

-

Only \$1 million of unrestricted common
stock (much less than 1% of company)

-

\$38 million cash if deal consummates

-

misaligned with shareholders

OWNERSHIP

-

Value at more than \$6/sh today with
upside to \$16-18 & minimal downside

-

Claim undrawn revolver creates
liquidity crisis despite highlighting
financial

flexibility on August 6th

-

Substantial secured financing capacity

-

Highly flexible bond structure with no
major maturities until 2015

-

Claim high exposure to continued
decline in natural gas prices

-

Highlight environmental cost risks

-

Believe Dynegy less sensitive to
natural gas given coal on the margin

-

Believe clean air rules provide major
benefit to Dynegy valuation

-

Urging cashing out at \$4.50
(\$0.90/sh pre-reverse split) after 8
years of no shareholder value creation

-

Voting against the proposed merger

-

Intend to propose two quality directors

-

Intend to propose unwind of reverse
split and other value enhancing steps

6

PREMIER VEHICLE FOR
PLAYING POWER MARKET
RECOVERY

7

8
LOTS OF WAYS TO WIN
Capacity
value

EPA-driven
retirements

are
a
game
changer
for
Midwest
capacity
margins
Currently earning \$17/ MW-day vs. \$175/MW-day in nearby markets with tighter reserve margins
Dark
spread
recovery

current
weak
dark
spreads
do
not
seem
sustainable
long-term
Spark
spread
improvement

advantaged
locations
and
higher
utilization
Natural
gas
prices

positive
correlation
and
less
sensitive
than
management
suggests
Premier vehicle to play EPA-driven market
recovery given financial and operating leverage
Source:
Dynegy
Second
Quarter
2010

Results
presentation
dated
August
6,
2010,
page
13.

SELL NOW??

When the stock is back at post-Enron distressed levels?

0%

200%

400%

600%

800%

1000%

1200%

O-02

O-03

S-04

S-05

S-06

S-07

S-08

S-09

S-10

Oct 02 (\$4.55):

DYN Hires Bruce

Williamson

DYN

NRG

CPN

RRI

MIR

Feb 04 (\$20.50):

DYN Sells Illinois

Power to AEE

Aug 05 (\$27.65):

DYN Sells

Midstream to Targa

Sept 06 (\$30.35):

LS Power / DYN

Marriage

Aug 09 (\$9.65):

LS Power / DYN

Divorce, buy 30%

of stock at \$9.65

Aug 10 (\$2.78):

Merger Announced

Premium in Merger

July of 2002

July 24: \$4.90

July 25: \$2.55

July 26: \$3.40

July 27: \$6.00

DYN Averts

Bankruptcy with

Sale of Northern

Natural Gas

Note: Historical prices are adjusted for reverse split.

9

EPA CLEAN AIR RULES ARE
JUST AROUND THE CORNER
Proposed EPA rules for sulfur/
NOx/mercury emissions are a game
changer for electricity prices as many
un-scrubbed plants should close
More than 5,700 MW of shutdowns

already announced for 2010

2015

(1)

Credit Suisse estimates ~60GW of coal plants

will

close

between

2013-17

(1)

Significant impacts on power and capacity markets

Exelon estimates that PJM power prices could increase \$5/MWh - \$7/MWh

Capacity prices for its PJM fleet could increase by up to \$100/MW-day by

2015

(2)

10

2011 Calendar of Events

March:

Final CATR rule expected

March:

Proposed HAP MACT rule

May:

PJM 2014/15 capacity auction

H1 2011:

Potential MISO capacity market

proposal

Nov:

Final HAP MACT rule

MISO Power Price Outlook is Bright

(1)

(1)

Source: Credit Suisse report Growth From Subtraction dated September 23, 2010. See Appendix for additional information the expected impact of the proposed EPA rules.

(2)

Source: Source: Exelon Clean in Competitive Markets presentation dated November 1-2, 2010.

11
AND DYNEGY'S ASSETS ARE
PRIMED TO BENEFIT

(1)
\$/kw estimates for cost of adding environmental equipment are per Growth from Subtraction.
Dynegy is extremely well positioned to benefit from EPA Clean Air rules given its substantial investment in pollution control equipment

Its largest, most efficient plants will have been scrubbed

We estimate pollution control equipment for Dynegy's coal fleet will have a replacement value of more than

\$1.7bn

upon

completion

A

MAJOR

COMPETITIVE

ADVANTAGE

12

THE NATURAL GAS PAIN HAS
ALREADY BEEN SUFFERED

Natural gas has traded down to 2002 levels as a result of the shale drilling frenzy

Credit

Suisse

estimates

that
many
of
the
low
cost
plays
require
at
least
\$5/mcf
(1)
to
earn
a
fair
return
Signs
of
drilling
slowdown
in
response
to
low
prices

gas
rig
count
has
been
falling
Natural gas is currently a cheaper fuel source than Eastern coal
Expect
incremental
switching
over
time

Already
seeing
signs
Dynegy's Midwest CCGT's increase margins while gas remains cheap vs coal (see comparative fuel cost for Kendall below)
Dynegy's Midwest coal plant margins are less sensitive to natural gas than other regions
Natural
gas
is
currently

on
the
margin
less
than
25%
of
the
time
in
the
Midwest

(1)
Source:
Credit
Suisse
report
Natural
Gas
dated
September
17,
2010.

Midwest Power Is Less Gas Sensitive
CCGT s Are Currently Competitive with Coal

75%
80%
85%
90%
95%
100%
105%
110%
4/10
5/10
6/10
7/10
8/10
9/10
10/10
\$3.93
\$4.43
\$4.93
\$5.43
\$5.93

NYMEX 2011 Gas
2011 ERCOT On-Peak
2011 CIN On-Peak
Kendall
Coal Plant

CCGT
CAPP
Fuel Price
\$4.25
\$70.00
Midwest Basis / Transportation
\$0.10
\$15.00
Delivered Fuel Price
\$4.35
\$85.00
Delivered Fuel Price (\$/MMBTu)
\$4.35
\$3.54
Heat Rate
7,200
10,500
Cost of Fuel per MWh
\$31.32
\$37.19

\$32
\$147
\$163
\$82
\$0
\$745
\$1,047
\$0
\$175
\$1,100
\$375
\$0
\$200
\$400
\$600
\$800
\$1,000
\$1,200
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020+

Bond Maturities

13

LIABILITIES ARE AN ASSET

When has an undrawn revolver ever caused
a liquidity crisis?

Synthetic L/C facility matched with cash
\$680 mm of available cash at 10/1/2010

(2)

Virtually no secured recourse debt
Substantial asset value to support
borrowing

No major bond maturities until 2015

Extraordinary flexibility created by
absence of restrictive covenants

Opportunity for value creation by
repurchasing debt at a discount

(1)

Source:

Dynegy

Second

Quarter

2010

Results

presentation

dated

August

6,

2010,

pages

24

and

26.

Includes

only

bond

maturities

(2)

Source:

Dynegy

Merger

Proxy

dated

October

4,

2010

(Merger

Proxy)

page 5.

FIRST MAJOR

MATURITY:

JULY 2015

Dynegy Inc.

Sr. Unsec. Notes / Debentures

\$3,450

SKIS

\$200
Senior Debentures
\$257
Central Hudson
\$633
Sithe Energies
Dynergy Power Corp.
Dynergy Holdings Inc.
\$1,080 Million Revolver
\$0
Term L/C Facility
\$850
Tranche B Term
\$68
Cash (10/1/10)
\$680
Restr. Cash
\$850
Undrawn Revolver

14

**THERE IS SUBSTANTIAL
LEVERAGE TO EFFICIENCY GAINS**

We believe that a refocused Dynegy has a fresh opportunity to optimize costs

Dynegy's
overhead
structure

was originally designed to support a larger asset base with a substantial trading operation

The Merger Proxy highlights an additional \$50 million a year (\$0.40/share of annual cash flow) of potential overhead savings

Why were these savings not disclosed before the Merger announcement?

Dynegy spends more than \$20 million per year on unutilized credit facilities

(1) More than 50% of total non-fuel operating expenditures (Non-fuel O&M plus SG&A) relate to non-plant level functions

(2) Dynegy's 2010 cash operating expenditures (Non-fuel O&M, SG&A and maintenance capex) is more than 15% higher than GenOn has guided on a \$/kw-year basis

Dynegy cash operating expenditures could be ~\$100mm lower if reduced to the same level as GenOn \$MMs

2010 Guided O&M Expense

\$465

2010 Guided SG&A Expense

\$135

Less: Lease Expense Included in O&M

(\$50)

Net Non-Fuel Operating Costs

\$550

Plant Level O&M Per SNL

(\$260)

Non-Plant Level O&M

\$290

(1)

Dynegy currently utilizes only \$455 million of its \$850 million Term LC Facility and none of its \$1 billion revolver. See Merger

page 5.

(2)

Source: Second Quarter 2010 Results page 33, SNL Financial and Seneca estimates.

WRONG PRICE

15

WORTH >\$6/SHARE ON SUM OF
THE PARTS VALUATION

16

(1)

Assumes maintenance capex of \$20/kw-year for coal plants and \$9/kw-year for gas plants based Seneca estimates and total ties

(2)

Valuation and capacity totals exclude Plum Point (140MW).

(3)

See appendix for a summary of detailed assumptions.

Note: As used in this presentation, UFCF refers to unlevered free cash flow

(\$ in millions)

2010

Maint

Unlevered

Net

Valuation

EBITDA

Capex

(1)

FCF

MWs

\$/KW

\$MMs

Commentary

Midwest Coal

Scrubbed Coal

(\$45)

2,241

\$700

\$1,569

Based on DCF Analysis

(3)

; Scrubber/SCR/baghouse

have repl. cost of \$800/kw

Unscrubbed

Coal

(\$18)

903

\$125

\$113

DCF of remaining life, shutting in 2015

(3)

; Assumes no value for Trona

Total Midwest Coal

\$288

(\$63)

\$225

3,144

\$535

\$1,682

Implied Unlevered Free Cash Flow Yield

13.4%

Midwest CCGT

Kendall

(\$11)

1,200

\$500

\$600

Supported by Casco Bay valuation of \$500/kw

Ontelaunee

(\$5)

580

\$800

\$464

MAAC already close to newbuild

pricing in latest capacity auction (\$226/mwd)

Total Midwest CCGT

\$113

(\$16)

\$96

1,780

\$598

\$1,064

Implied Unlevered Free Cash Flow Yield

9.1%

Midwest Peaking

Midwest Peaking/Other

\$18

(\$1)

\$16

164

\$250

\$41

Assumes minimal option value

Implied Unlevered Free Cash Flow Yield

NM

West

Moss Landing / Morro / Oakland

(\$30)

3,344

\$324

\$1,085

NRG bid price implies 12% UFCF. Spark spreads have improved since 8/12/10

Other Western Gas

(\$3)

352

\$250

\$88

Assumes minimal option value

Total West

\$144

(\$33)

\$111

3,696

\$317

\$1,173

Implied Unlevered Free Cash Flow Yield

9.4%
 Northeast
 Casco Bay
 (\$5)
 540
 \$509
 \$275
 NRG bid price implies 12% UFCF. Spark spreads have improved since 8/12/10
 Independence
 (\$10)
 1,064
 \$600
 \$638
 Based on DCF Analysis
 (3)
 ; Includes value of ConEd
 contract
 Roseton
 / Danskammer
 (\$15)
 1,693
 \$200
 \$339
 Based on DCF Analysis
 (3)
 ; Assumes coal retires in 2015
 Total Northeast
 \$190
 (\$30)
 \$160
 3,297
 \$380
 \$1,252
 EBITDA adds back \$50mm lease expense & \$50mm non-cash amortization
 Implied Unlevered Free Cash Flow Yield
 12.8%
 Corporate SG&A
 (\$135)
 (\$450)
 6x \$75mm of corporate SG&A including all announced cost cuts
 Total
 \$617
 (\$143)
 12,081
 \$4,762
 EBITDA adds back \$50mm lease expense & \$50mm non-cash amortization
 Net Debt
 (\$3,371)
 NPV of Lease
 (\$633)

Equity Value

\$758

Shares

120.6

Equity Value / Share

~\$6.50

(2)

17

WHAT COULD DYNEGY BE
WORTH?

\$18.25

\$2.50

\$15.75

\$1.25

\$2.50

\$2.00

\$3.50

\$6.50

\$2.00

\$4.00

\$6.00

\$8.00

\$10.00

\$12.00

\$14.00

\$16.00

\$18.00

\$20.00

Base Valuation

CCGT

Newbuild

Increased to

\$1,000/kw &

Market

Recovery

Accelerated

Delivered Coal

Cost Reduced

\$0.25/MMBTU

Versus Base

Case

Incremental

\$50mm Annual

O&M Savings

\$500mm Asset

Sale Proceeds

Applied to Debt

Reduction at

Current Market

Prices

Upside

Excluding

Improvement in

Natural Gas

Price Forecast

Gas Recovery

(\$1/mmbtu)

Upside

Valuation

\$4.50/Share Merger Price

18

**SUBSTANTIAL OPERATING CASH
FLOW THROUGH THE TROUGH**

Dynegy does not pay cash taxes and has low maintenance capex therefore we believe free cash

flow
is
the
most
accurate
valuation
metric
for
Dynergy

Dynergy trades in line with peers on free cash flow but has better leverage to power market upside

(1)

See appendix for detail regarding IPP comparables

(2)

On page 6 of Dynergy's presentation "Setting the Record Straight: The Truth About Asset Sales, Dividends and Debt Facilities" dated October 2010 ("Setting the Record Straight"), Dynergy states that "If asset retirements do not materialize, EBITDA would be reduced

by
an
average
of
\$85mm
each
year
from
2013

2015 .

Adds back non-cash amortization related to Sithe purchase accounting

Removes
management
market
recovery
assumption

(2)

to
show
free
cash
flow
before market recovery

Year

2011

2012

2013

Adj EBITDA From Merger Proxy

\$405

\$348

\$538

Central Hudson Lease Expense

\$50
\$50
\$50
Sithe Non-Cash Amortization
\$50
\$50
\$50
Adj Cash EBITDA
\$505
\$448
\$638
Removal of Market Recovery Assumption

(\$85)
Adj Cash EBITDA Without Market Recovery
\$505
\$448
\$553
Maintenance Capex
(\$119)
(\$113)
(\$119)
Unlevered Free Cash Flow
\$386
\$335
\$434
Enterprise Value at \$4.50 Deal Price
\$4,547
\$4,547
\$4,547
Unlevered Free Cash Flow Yield
8.5%
7.4%
9.5%
Average of Peer Group
(1)
8.5%
7.5%
10.0%
(\$ in millions)

19

WITH HUGE CASH FLOW UPSIDE

AS POWER PRICES RECOVER

Adjusting Dynegy's trough free cash flow for expectations of a market recovery could double the free cash flow yield

Gas
price

improvements

would

be

additive

to

impact

of a

capacity / coal price driven dark spread recovery

(1)

Illustrated as a \$0.50/mmbtu reduction in delivered coal price.

Base Case

Upside Case

\$MM

% UFCF

\$MM

% UFCF

2012 Unlevered Free Cash Flow

\$335

7.4%

\$335

7.4%

Coal Capacity Uplift to \$150/MW-day

\$109

2.4%

\$191

4.2%

2,241MW Scrubbed Coal

x

(\$150/MW-day

recovery

-

\$17/MW-day

current)

\$250-Day Recovery

Spark Uplift at Kendall to \$150/MW-day

\$42

0.9%

\$85

1.9%

1,200MW

x

(\$150/MW-day

recovery

-

\$55/MW-day

current)

\$250-Day Recovery

Dark Spread Improvement by \$5/MWh

(1)

\$79

1.7%

\$79

1.7%

\$0.50/mmbtu x 10.5 plant heat rate x 15TWh Scrubbed Coal

Additional Cost Cuts

\$50

1.1%

\$50

1.1%

Pro Forma Unlevered Free Cash Flow Yield Excluding Gas Improvement

~13.5%

~16.5%

\$1/mmbtu Uplift in Gas

\$60

~1.5%

\$60

~1.5%

\$1/mmbtu x 8 market heat rate x 50% set by gas in recovery x 15TWh

Pro Forma Unlevered Free Cash Flow Yield

~15%

~18%

20
LEVERAGE TO CYCLICAL
RECOVERY
Replacement Cost Of IPP Peers
(2)
Cyclical
industries

tend
to
trade
around
replacement
cost
during
cyclical
peaks
and
at
substantial
discounts during cyclical troughs

(1)
Dynegy trades at the lower end of its peers as a % of replacement cost and its stock price is much more sensitive than its peers to recovery in asset values
Management has historically highlighted replacement cost as an important valuation metric suddenly

on
October
26
th
management
attacked
the
use
of
replacement
cost
for
valuation

From Dynegy 2008 CS Vail Presentation

(3)
Inherent value
\$40.50 -
\$60.70
per share
Inherent value
\$63.10 -
\$90.50
per share

[It is] a good time to invest in well-located CCGTs at prices well below replacement cost

-
David Crane, CEO of NRG Energy (Proposed buyer of Dynegy CA / ME gas assets)

(4)
(1)
See Appendix for data regarding how refiners have historically traded through the cycle.

(2)
Replacement cost assumptions for Scrubbed Coal, CCGT, Peakers, Nuclear and Geothermal per Macquarie research US smart
Appendix for additional detail regarding IPP peer valuation.

(3)

Source: Dynegy Credit Suisse 2008 Energy Summit presentation dated February 6, 2008, page 3. Share price adjusted for 5

(4)

NRG Q3 2010 earnings call, November 4, 2010

\$/KW

Ave

Repl

DYN

IPP

Cost

MWs

Peers

Coal

\$2,400

3,514

CCGT

\$1,000

4,404

Peakers

\$700

4,163

Nuclear

\$7,000

Geothermal

\$3,500

Total Capacity

12,081

Estimated Newbuild

Value

\$15,752

Financial Enterprise Value / Newbuild

29%

31%

1% Move in EV/Replacement Value

\$158

\$/Share

\$1.31

% of Stock Price

29%

8%

Book Value per Share

\$24.13

Price / Book

19%

69%

THE PROPOSED DEAL RAISES
QUESTIONS
21

THE WRONG TIME TO SELL

22

23

TIMELINE OF A TRAGEDY(TRAVESTY)

Management Urging To Sell Dynegy at \$4.50/share (\$0.90/share Pre-Split)

Dynegy stock
declined more
than 22% in the
week leading up

to the merger
announcement

Management bought back ~30% of stock at \$9.65 in August 2009

\$2.00

\$3.00

\$4.00

\$5.00

\$6.00

\$7.00

\$8.00

\$9.00

\$10.00

2/16

3/3

3/18

4/2

4/17

5/2

5/17

6/1

6/16

7/1

7/16

7/31

8/15

8/30

9/14

9/29

3/12: 5 for 1

Reverse stock
split proposed

5/25: 5 for 1

Reverse stock
split effective

4/11: NRG/DYN Executives
meet to discuss possible
stock deal, NRG involves

Blackstone

6/23: NRG Determines
not to proceed

6/24: Blackstone
approaches DYN to
propose all cash
bid

7/29: Blackstone revises proposal to
\$5.25, but conditioned on sale of gas
assets to NRG

8/4: Blackstone
revises proposal to
\$5.00 upon

agreement with DYN
not to use proceeds
from sale of gas
assets to fund DYN
purchase

8/5: Blackstone
informs DYN that
NRG talks
reached impasse;
Discussions with
DYN temporarily
stop

8/12: Blackstone
revises proposal to
\$4.50, merger
agreement executed
following day

7/21:
Blackstone
presents non-
binding offer of
\$5.00

5 Year Trading Highlights:

High (5/14/07): \$53.25

Low (8/12/10): \$2.76

Beg of Year (1/4/10): \$9.65

Current Blackstone Bid

Buyback 30% of Stock at \$9.65

THIS IS A CYCLICAL BUSINESS

NEAR A CYCLICAL TROUGH

Electricity prices and dark spreads have fallen to near 6-year lows

Weak demand has exacerbated the excess supply

The decline of natural gas prices relative to coal has significantly impacted coal plant profitability

24

Source: Commodity broker data.

Source: Growth from Subtraction.

BUT RECOVERY IS WITHIN
SIGHT

We expect that Midwest power markets will recover over the next several years:

EPA Clean Air rules

Rational
decisions

by

plant
owners
to
retire
old
and
inefficient
capacity

Gradual increase in demand

Industry leaders and research analysts are already discussing the 2014/15 impacts

Credit Suisse, Sanford Bernstein, Citigroup, Exelon, PSE&G, Edison Mission, PPL, FE all
have highlighted this dynamic

Markets often price in recovery in advance of the actual recovery

Q1 2011 EPA rule proposals, PJM May 2011 capacity auction (for 2014/15) and
potential MISO capacity market proposals are key near-term catalysts

25

Source:

Exelon.

Source: Growth from Subtraction.

NATURAL GAS PRICE
DYNAMICS

Natural gas prices are currently at levels not seen for 8 years
The current gas price is not sustainable as many plays that are considered
low cost
do not earn an acceptable return at less than \$5 gas

26

Source:
Bloomberg
data
and
Credit
Suisse
report
Natural
Gas
dated
September
17,
2010.
Breakeven Gas Price Required for Different Basins

LIQUIDITY IS ON OUR SIDE

Given substantial asset value, limited secured debt and no significant bond maturities until 2015, we believe Dynegy has substantial liquidity to execute on its plan

27

(1)

Central

Hudson
lease
is
secured
by
Danskammer/Roseton
assets
and
has
an
unsecured
guarantee
from
Dynergy.

Note:
Balance
sheet
information
as
of
6/30/2010

per
Second
Quarter
2010
Results

page
26,
except
for
cash
(as
of
10/1/2010).

Matched
Encumbered Assets
Liabilities
Sithe/Independence
1064 MW

Sithe
Bonds
\$257

Danskammer/Roseton
1693 MW
Central Hudson Lease
\$633

Plum Point
140 MW

Off-balance sheet non-recourse debt

Available Assets

Liabilities

Cash

\$680

Revolver

Term Facility

\$68

Restricted Cash

\$850

Synthetic L/C Facility

\$850

Assets

Coal Assets

3144 MW

Combined Cycle Gas Assets

3340 MW

Other Gas / Oil Assets

2840 MW

Unsecured Bonds

\$3,650

-

No limitation on liens / asset sales

Substantial Secured

Debt Capacity

DISSENTING DIRECTOR

Victor Grijalva, former Vice Chairman of Schlumberger, voted
AGAINST approval of the merger:

Sharp and anomalous drop in Dynegy's stock price over
prior 3-month period

Stock trading at historically low price

Price did not reflect its trading price over a longer period of

time or its potential for future appreciation
Questioned evolution of transaction's terms and conditions
(e.g., significant diminution of price, NRG asset sale
condition)

28

IT IS THE WRONG TIME TO SELL

WRONG REASONS

29

30
ON AUGUST 6
TH
THE FUTURE
SEEMED BRIGHT

Excerpt from Dynegy second quarter results presentation, August 6, 2010

MANAGEMENT HAS SUDDENLY
CHANGED ITS TUNE

August 6, 2010

(week before merger announcement)

Post Announcement

(1)

Financial

Management

No significant bond maturities until 2015

Simple, flexible capital structure

Liquidity of approximately \$2 billion

Significant risk associated with a stand-alone strategy

Limited access to capital markets

Will be forced to seek a restructuring
Cash Flow

Increases as planned environmental spending declines

Forecasted negative free cash flow creates a very challenging liquidity position over time

Competitive
Position

Lower
cost
baseload
assets
positioned
to capture value as markets recover

Multi-year cost savings program

High leverage and fixed costs in a low commodity price environment

Environmental

Major planned environmental upgrades to be completed in 2012

Consent Decree program should put our fleet of coal plants well ahead of others that have not acted

Likely negative impact of future environmental regulations on Dynegy's portfolio

(1)
Sources:
Dynegy
presentation
Dynegy
Acquisition
by
The
Blackstone
Group
L.P.
dated
October
2010
pages
3,
5,
9,
11
and
Setting
the
Record
Straight
page 3.

WHY THE CHANGE OF HEART?

Management will be able to realize an almost \$38 mm change-of-control payout, 90% of which

has
no
relation
to
the
deal
price

(3)
Management currently owns less than 1% of Dynegy's common stock with a stock market value of \$4.8 million. Only \$1.1 million of this stock is unrestricted

(2)
Non-executive directors, in total, own approximately 0.16% of Dynegy's common stock valued at \$862,000

(2)
32
(1)
Includes restricted common stock and phantom stock per Merger Proxy. Valued at \$4.50 per share. Does not include approximately 249,000 shares held outright by executives worth \$1.1 million (page 99-100).

(2)
See page 99
100 of Merger Proxy. Excludes stock options (all out-of-the-money) but includes phantom stock units valued at \$4.50 per share.

(3)
As the largest equity holder in Dynegy, Seneca is fully exposed to movements in Dynegy stock price

Deal Price
Sensitive
Deal Price Insensitive
Stock
Performance
Equivalents(1)

Units
Severance
Total
Bruce Williamson
\$2,029,883
\$5,400,000
\$6,959,816
\$14,389,699
Holli Nichols
513,720

1,380,000

4,915,586

6,809,306

J. Kevin Blodgett

382,896

1,030,400

4,102,309

5,515,605

Lynn A. Lednicky
379,616

1,014,700

4,005,297

5,399,613

Charles C. Cook
371,759

981,800

4,086,253

5,439,812

\$3,677,873

\$9,806,900

\$24,069,261

\$37,554,034

MISALIGNMENT LEADS TO
POOR DECISIONS

Poor
performance
created
a
situation

where
certainty
of
a
\$10
million
change-of-

control payment (part of the overall \$38 million package) outweighed the effort required to achieve EBITDA and stock price targets

Performance awards have been awarded to executives each year:

Target award values can be achieved by attaining certain 3-year stock price (2/3) and cumulative EBITDA (1/3) targets

The range below represents the minimum levels required to earn the performance bonus and the maximum level of achievement (200% of target award)

All performance units vest at 100% of the target award amount upon a change of control.

33

(1)

Source: Dynegy proxy dated April 6, 2009 and Dynegy proxy dated April 2, 2010.

Target

C-o-C

Award (\$MM)

Targets

Payout (\$MM)

2009 Grants for Top Management

(1)

\$5.4

\$12.50 - \$30.00 stock price

\$5.4

\$2.4 billion - \$3.3 billion 3-year cumulative EBITDA

2010 Grants for Top Management

(1)

4.4

\$12.50 - \$30.00 stock price

4.4

\$1.4 billion - \$2.0 billion 3-year cumulative EBITDA

\$9.8

\$9.8

**CASH OUTFLOWS ARE NOT
OPERATING LOSSES**

The \$1.1 billion cumulative cash outflows in management's 5-year forecasts are not recurring

Environmental capex
completion of scrubber program
Debt reduction

scheduled maturities (including amortization of Sithe
Independence debt)

Central Hudson lease payments decline substantially after 2015 and are
fundamentally a repayment of debt

34

(1)

Source: Management projections from Merger Proxy page 55. Schedule of Central Hudson lease payments from Second Quarter
2010 Results page 25.

Non-Recurring

(\$ in millions)

2011

2012

2013

2014

2015

Environmental Capital Expenditures

(\$146)

(\$87)

(\$27)

(\$12)

(\$7)

Unsecured Debt Maturities

(80)

(89)

-

-

-

Independence Sinking Fund Payments

(68)

(75)

(82)

-

-

Central Hudson Lease Payments (Total)

(112)

(179)

(142)

(143)

(143)

Total Env. Capex

+ Debt Mat + Lease Payments

(406)

(430)

(251)

(155)

(150)

Cumulative

Env.

Capex

+

Debt
Mat
+
Lease
Payments
(406)
(836)
(1,087)
(1,242)
(1,392)
DYN Forecast
for
Cumulative
Forecast
Cash
Outflow
(2011
-
2015)
(1,112)

DYNEGY IS MUCH LESS GAS
SENSITIVE THAN MGMT THINKS

We have modeled Dynegy's gross margin change based on commodity curves
from June 7, 2010 and November 3, 2010:

(1)

Included hedges as disclosed by Dynegy

\$122

million
impact
over
2011

2015
period
(2)
vs.
~\$500
million
impact
according to management
2011

natural
gas
forward
price
declined
from
\$5.61

/
Mcf
to
\$4.26
/
Mcf

over this period
Coal on margin in Midwest and competitiveness of CCGTs versus coal
plants mitigate downside exposure to natural gas

35

(1)

See Dynegy's February 2, 2010 presentation from the 2010 Credit Suisse Energy Summit (CS Energy Summit 2010 Presentation) for key assumptions and hedges. See appendix for detailed commodity curves and calculations.

(2)

Excludes
peakers.
Dynegy
stated
that

Natural
gas
sensitivity
impacts
primarily
baseload
coal.
(CS
Energy
Summit

2010

Presentation , page 17)

Change in Gross Margin due to Power/Gas Curve Shifts (6/7/10 vs. 11/3/10)

(\$ in millions)

2011

2012

2013

2014

2015

Coal Plants

\$0

(\$36)

(\$46)

(\$46)

(\$76)

Combined Cycle Gas Plants

0

27

17

17

21

Total

0

(9)

(28)

(29)

(56)

Total Impact (2011 - 2015)

(\$122)

WHY THE GO-SHOP DIDN'T
MAXIMIZE VALUE

Dynegy administered a 40-day go-shop period that did not
produce any offers superior to \$4.50 per share

40-day time frame was insufficient

Conducted during mid / late August, a traditionally slow period

Sale of assets to NRG was exclusive

Incumbent right to match a superior offer

No expense reimbursement for matched offers

Restrictive confidentiality agreement (only 8 out of 42 contacted parties signed CA)

We have spoken with industry sources who cited one or more of the concerns above as significant barriers to their participation in the process

We believe that there should be substantial interest in a variety of Dynegy's assets once the merger is voted down

36

LENGHTY AND EXTENSIVE
BOARD PROCESS?

37

Virtually all of the Extensive Process Occurred At Substantially
Higher Stock Prices

Did not
yield

benefits
for
shareholders
and
likely
exhausted
the
board
and management

\$2.00

\$4.00

\$6.00

\$8.00

\$10.00

\$12.00

\$14.00

\$16.00

\$18.00

\$20.00

Solicited interest from 16
potential acquirors; 3
engaged in preliminary
discussions

Discussions with NRG
Energy

Re-engaged in
discussions with

Unnamed Party

LS Power Divorce /

~30% Share Repurchase
at \$9.65

Agreed to Merger

Proposal

Initiated

discussions with

NRG / Blackstone

THE LS POWER RELATIONSHIP

38

And the Divorce

The Marriage

Just Last Year Dynegy Sold Assets,

Raised Debt and Repurchased Stock

One Year Before Agreeing to be Sold at \$4.50/share (\$0.90 Pre-Reverse

Split), Dynegy Bought Back ~30% of its Stock at \$9.65/share

(1)
Unlevered free cash flow yield shown above is (EBITDA less Maintenance Capex) divided by Enterprise Value

(2)
Source:
Dynegy
presentation
Executing

our
Growth
and
Value
Vision
dated
September
15,
2006.

(3)
Source:
Dynegy
presentation

Dynegy
Achieves
Three
Strategic
Objectives
dated
August
10,
2009.

Announced on September 15, 2006
Dynegy was a buyer at ~\$500/kw, an 8.5%
unlevered

free
cash
flow
yield

(1)
Dynegy
Received:

(2)
~4,900mw of combined cycle capacity
~3,000mw of peaking capacity
~265mw of coal capacity in development
50% interest in power development JV

Dynegy Gave Up:
340mm Shares of Common Stock
\$100mm of Cash
\$275mm Dynegy Inc. Jr Subordinated Note
Assumption of \$1.8bn of net debt from LS

Power

Announced on August 10, 2009

Dynegy was a seller at ~\$280/kw, a 9.2% unlevered

free

cash

flow

yield

(1)

Dynegy

Received:

(3)

\$1,025mm of cash

245mm Class B Common Shares (\$1.93 pre-split)

Dynegy Gave Up:

\$235mm 7.5% Senior Unsecured Note due

2015

~2,800mw of peaking capacity

~1,700mw of combined cycle capacity

THE POWER TO CHANGE

39

A PATH TO VALUE

Shortly after the defeat of the Merger, shareholders have the power to refocus Dynegy for success

Dynegy's shareholder-friendly charter and bylaws allow a majority of stockholders to replace directors and adopt shareholder resolutions acting by written consent in lieu of a meeting

November: Seneca currently expects to file preliminary consent

solicitation materials with the SEC to obtain majority shareholder approval to replace 2 existing board members and adopt value enhancing shareholder resolutions

December: Upon expected SEC clearance of consent materials and majority shareholder approval, Dynegy board will be reinvigorated with two new directors that believe in the value proposition for a refocused Dynegy and is empowered by strong shareholder support for value maximization

40

Seneca is in Discussions With Several Extraordinarily Strong Potential Board Candidates Compelled by the Dynegy Investment Opportunity

SHAREHOLDER RESOLUTIONS

Resolutions would encourage the new Directors to:

Determine which of the current top management team is appropriate for Dynegy going forward

Create proper alignment of interests between management / board of directors and shareholders (through revised compensation plans)

Analyze and pursue asset sales given strategic / operational fit

and

current valuation and other financial considerations

Optimize debt structure and examine opportunities to return capital to shareholders

Analyze hedging and collateral posting strategy

Investigate additional cost-cutting opportunities

Unwind reverse stock split

41

With The Goal of Maximizing Dynegy

Shareholder Value Over the Long-Term

STAYING PUBLIC:

THE PHOENIX RISES

Public market will recognize value of new board / management

Properly aligned with shareholders

Reinvigorated and focused on creating shareholder value

Public markets demonstrate a willingness to price in mid-cycle
well in anticipation of recovery

Numerous examples of cyclical investors accelerating recognition
of mid-cycle economics

land rigs, jack-ups, aluminum

Key catalysts upcoming on EPA clean air rules and forward
capacity auctions

expect to be an important theme for 2011

Potential vehicle for future consolidation

Synergy value from strategic

transactions continue to represent an

additional value driver for public shareholders

42

43

WITHOUT THE REVERSE SPLIT WOULD
DYNEGY HAVE TRADED BELOW \$1.00/SH?

\$0.50

\$0.60

\$0.70

\$0.80

\$0.90
\$1.00
\$1.10
\$1.20
\$1.30
\$1.40
\$1.50
\$1.60
\$1.70
\$1.80
\$1.90
\$2.00
3/12
3/27
4/11
4/26
5/11
5/26
6/10
6/25
7/10
7/25
8/9
8/24
9/8
9/23
10/8
10/23
30%
40%
50%
60%
70%
80%
90%
100%
110%
120%
130%
Current Blackstone Bid
NRG
CPN
RRI
MIR
3/12: 5 for 1
Reverse stock
split proposed
5/25: 5 for 1
Reverse stock
split effective

DYN

Underperformance

Or allowed the Company to be potentially sold for \$0.90 / share (pre-reverse split)?

44

**REVERSE STOCK SPLITS ARE A
RECIPE FOR UNDERPERFORMANCE**

The reverse split provides an interesting opportunity for investors who can take full benefit from the short side of the portfolio.

Creating a Key Signal for Sellers

The dismal short-term and long-term performance of reverse-split stocks is consistent across time. Reverse splits have performed poorly in almost every year, boosting the reverse split's reliability as a stay-away sign..

Reverse Stock Splits Consistently Perform Poorly

We Believe Dynegy Should Unwind Their Reverse Stock Split

Credit Suisse conducted a 30 year extensive study of reverse splits and concluded

Source: Credit Suisse report Split N Slide dated 7/1/08.

45

THE PREMIER VEHICLE TO PLAY

POWER RECOVERY

Compelling valuation with catalysts

Sum-of-the-parts valuation supports stock price of greater than \$6 per share, 7.5% unlevered free cash yield at low point in the cycle, trading at less than 1/3 of replacement cost

EPA-driven plant retirements will be a game changer for Dynegy's scrubbed plants
Proposed rules on CATR and HAP MACT and upcoming capacity auctions in Q1/Q2
2011 provide important signal to markets

Attractive upside/downside

Upside

of

more

than

\$16

-

\$18/sh

and

14

-

17%

unlevered

free

cash

yield

in

a

recovery

scenario Midwest coal plants currently earning ~\$17/mw-day capacity prices versus
~\$226/MW-day in recovered markets

Operating cost efficiencies and capital structure optimization provide tools to mitigate
downside risk

Dramatic stock underperformance already reflects low cycle assumptions

potential for unwind of reverse split to provide downside stock price protection

A new lease on life

Re-invigorated governance with new directors that believe in the Dynegy value
proposition and are aligned with shareholders

Shareholder

resolutions

that

encourage

important

value

enhancing

measures

SUMMARY

46

Seneca owns 12% economic interest and is solely motivated by increasing shareholder value

Fully aligned with shareholders

Management owns less than 1% and receives \$38 million change of control if deal consummates

Misaligned with shareholders

Last year management bought back nearly 30% of its own stock at \$9.65/sh only to turn around this year and recommend that shareholders sell out at \$4.50/sh (\$0.90/sh pre-reverse split)

After

years

of

stock

price

declines

and

unsuccessful

attempts

to

sell

the

company

at

substantially higher prices, management and the board are throwing in the towel near the

bottom

of

the

cycle

and

management

is

being

rewarded

On

August

6

management

presented

a

bright

outlook

for

the

company's

commercial/

financial

prospects

After

agreeing

to

the

deal

a

week

later,

management

suddenly
and
unjustifiably
presented
the
company's financial situation as dire
Dynege
investors
have
the
potential
to
triple
or
quadruple
their
investment
over
the
next
several
years as power prices recover
EPA rules provide near-term catalyst for value recognition
Downside risk is mitigated by cost cutting and balance sheet optimization opportunities as well
as unwinding of reverse split
Substantial unutilized secured debt capacity provides the liquidity to support tremendous time
value
Alignment
Throwing in
the Towel
Change in Tune
Giving Away the
Upside for Free
th

CONCLUSION

47

WE VOTE NO TO THE PROPOSED DEAL

WRONG PRICE

We

believe

worth

more
than
\$6
per
share
today
and
up
to
\$16

-
\$18
in
a
recovery
scenario

Valued at less than 1/3 of replacement cost

Nearly 7.5% unlevered free cash flow yield at low point in electricity price cycle rising to as much as 14 -

17% in a power price recovery with additional upside if gas prices recover

Substantial optionality of assets and balance sheet creates highly compelling asymmetric risk/reward opportunity

WRONG TIME

Down
42%
since
proposal
of
ill-conceived
and
questionably
motivated
reverse
split

-
dramatic
underperformance

Traded down to virtually its ALL-TIME low on the day prior to Merger announcement

Cyclical trough in power industry with Q1 2011 EPA clean air rule proposals providing a roadmap to recovery

Highly flexible bond structure allows access to liquidity and provides optionality

WRONG REASONS

Management owns approximately \$1 million of unrestricted stock but receives almost \$38 million (\$0.31/share)

if
deal
closes

an
arrangement

that
is
largely
irrespective
of
deal
price

Management has engaged in a scorched earth campaign making sudden unsubstantiated claims about liquidity in a stark contrast to public statements in the weeks leading up to the deal
Transaction structure featured significant obstacles to attracting superior offers, including NRG exclusivity

and
a
\$50
million
break-up
fee

-
9.2%
of
equity
value,

a
nearly
unprecedented
%
of
equity

Break-up fees are typically compared to equity purchase price, not enterprise value

APPENDIX
48

EPA CLEAN AIR RULES WILL
CHANGE MARKET DYNAMICS

Upcoming EPA rules will likely force coal generators to either invest in expensive control technologies or shut down

Stringent Maximum Achievable Control Technology (MACT) Rules would require compliance as early as 2014

Environmental controls are very expensive and unlikely for many plants

if the current power price environment persists

(1)

Pursuant to the Midwest Consent Decree, Dynegy will have spent \$730 mm (out of a total of \$960 mm) of environmental capital expenditures for the Midwest fleet by the end of 2010 and will have substantially completed its environmental capital expenditure program by 2013.

(3)

49

(1)

Source (including for the table): Growth From Subtraction.

(2)

Ability of TrONA

to meet compliance standards is still under discussion.

(3)

Source: Dynegy 2009 10-K and Merger Proxy page 55.

Install

Incremental

Fuel Type

Required Technology

Cost (\$/kw)

Cost (\$/MWh)

Eastern Coal

FGD + SCR

\$450 -

\$700

\$3 -

\$4

Western Coal

TrONA

+ Baghouse

(2)

\$150

\$5 -

\$6

EPA RULES : WHO IS AT RISK?

According to Credit Suisse, only 34% of the coal capacity in the US has

installed (or is announced plans to install) both scrubbers and SCRs and 30% have no environmental controls at all.

Smaller coal plants are less likely to invest in environmental controls as the capital cost is significantly higher on a \$ / kw basis. More than

50,000 MW of small coal plants have no environmental controls installed

50

(1) Source: Growth From Subtraction.

Coal Plant Capacity by Emission Control (Incl. Planned)

FGD &

FGD

SCR

Region

SCR

Only

Only

None

Total

CAISO

-

135

46

461

642

ERCOT

9,393

5,287

1,928

2,296

18,904

MISO

20,468

12,270

11,952

32,341

77,031

NEPOOL

1,343

214

666

652

2,875

NYISO

998

223

1,063

718

3,002

PJM

35,634

8,119

16,405

19,553

79,711

SPP
 3,631
 4,002
 2,201
 16,087
 25,921
 WECC
 3,323
 23,561
 211
 7,469
 34,564
 SERC
 34,079
 8,832
 21,435
 21,787
 86,133
 Other
 5,940
 2,331
 2,318
 1,448
 12,037
 114,809
 64,974
 58,225
 102,812
 340,820
 Percent of Total
 33.7%
 19.1%
 17.1%
 30.2%
 100.0%

(1)
 Small (<300 MW) Coal Plant Capacity by Emission Control (Incl. Planned)

FGD &
 FGD
 SCR
 Region
 SCR
 Only
 Only
 None
 Total
 CAISO

-
 135
 46

461
642
ERCOT
184
349
8
12
553
MISO
2,756
2,289
3,774
15,985
24,803
NEPOOL
355
214
666
252
1,486
NYISO
343
223
1,063
718
2,347
PJM
4,940
2,375
4,865
9,841
22,021
SPP
-
569
318
3,646
4,533
WECC
554
3,605
211
3,785
8,154
SERC
4,819
3,700
7,484
14,877
30,880

Other

1,090

409

251

1,008

2,757

15,040

13,867

18,685

50,584

98,176

Percent of Total

4.4%

4.1%

5.5%

14.8%

28.8%

(1)

EPA RULES: WHAT DOES IT
ALL MEAN?

Credit Suisse base case assumes that 60GW of coal capacity
will
be
retired,
causing

several

1

and

2

order

impacts

on

power and commodity markets:

Tightening reserve margins leading to higher capacity prices

Reduction in demand for coal

Increase in demand for natural gas

Reserve margins expected to tighten quickly (even assuming
new build and demand response) leading to increased capacity

payments to generators

51

Source: Growth From Subtraction.

Estimated PJM RTO Capacity Payment (\$/MW-day)

2014/15

2015/16

2016/17

2017/18

2018/19

2019/20

Do Nothing

44

61

87

109

129

133

60 GW Retirement

101

151

220

243

243

243

100 GW Retirement

141

222

243

243

243

243

st

nd

EPA RULES: CATR

Proposed rule issued in July 2010, that would set emission caps
for SO

2

and NOx for 31 eastern states and Washington D.C.

Final rule expected in March 2011

EPA projects that, by 2014, the proposed rule would (in the

covered area):

Reduce

generating

unit

SO

2

emissions

by

71%

compared

to

2005 levels

Reduce generating unit NOx emissions by 52% compared to

2005 levels

Trading of emissions credits may be allowed under the

proposed rule, but regional trading would be limited

52

**EPA RULES: HAZARDOUS AIR
POLLUTANT (HAP) MACT**

The Clean Air Act requires the EPA to develop an emission control program for hazardous pollutants, including mercury and acid gases

The EPA is mandated pursuant to consent decree to draft a proposed Maximum Achievable Control Technology (MACT) rule by March 16, 2011 and to finalize it by November 16, 2011

MACT rule will apply to all existing and future coal and oil fired capacity

MACT requires achieving emissions levels as good as the average of the top 12% of existing sources

Credit Suisse estimates that for mercury emissions, this could require a 90% removal rate

Affected plants would have 3 years to comply (i.e., 2014 or 2015), assuming no case by case waivers or an exemption granted by the President

In

a

more

moderate

scenario,

the

EPA

could

propose

different

sets

of

standards

based on sub-categories, such as :

Size

Boiler pressure / temperature

Coal mix

No trading between plants

53

54

DYNEGY ENVIRONMENTAL
OVERVIEW

Source: Second Quarter 2010 Results page 19.

55

KEY DCF VALUATION

ASSUMPTIONS

All DCF-based valuation metrics included the following assumptions:

Capacity factors based on historical plant-by-plant data and management guidance from public presentations

Strip gas prices through 2015 as of 10/29/10 with a flat \$6 long-term natural gas price

thereafter

Long-term CAPP coal of \$70/ton and PRB of \$12.50/ton

Increased coal transportation costs upon contract expiration

Natural

gas

sets

MISO

power

prices

approximately

15%

of

the

time

until

equilibrium

when gas sets MISO power prices for all on-peak hours

Dynegy unscrubbed

coal plants retired in 2015

Baldwin plant-to-hub basis normalized in 2014 as a result of plant shutdowns

\$850/kw

CCGT

and

\$625/kw

peaker

newbuild

economics

by

2016

-

2018

driven by

plant retirements from EPA rules

10% WACC on unlevered cash flows

Taxes calculated on a corporate level

COMPARABLE COMPANIES:
UNLEVERED FREE CASH FLOW

56

DYN
CPN
NRG
RRI

MIR

Stock Price

\$4.50

\$12.50

\$19.91

\$3.76

\$10.61

Diluted Shares Outstanding

121

487

266

353

145

Equity Value

\$543

\$6,086

\$5,291

\$1,328

\$1,538

Financial Enterprise Value

\$4,547

\$15,178

\$8,390

\$2,989

\$2,992

2011E Generation EBITDAR

\$505

\$1,688

\$1,337

\$131

\$407

D&A

(\$360)

(\$596)

(\$832)

(\$260)

(\$212)

Taxes

35.0%

(\$177)

Maintenance Capex

(\$119)

(\$390)

(\$246)

(\$42)

(\$60)

Peer
 Unlevered Free Cash Flow
 \$386
 \$1,298
 \$914
 \$89
 \$347
 Ave
 2011 Unlevered Free Cash Yield
 8.5%
 8.6%
 10.9%
 3.0%
 11.6%
 8.5%
 2012E Generation EBITDA
 \$448
 \$1,539
 \$1,381
 \$106
 \$330
 D&A
 (\$360)
 (\$596)
 (\$832)
 (\$260)
 (\$212)
 Taxes

 (\$192)

Maintenance Capex
 (\$113)
 (\$390)
 (\$246)
 (\$42)
 (\$60)
 Unlevered Free Cash Flow
 \$335
 \$1,149
 \$943
 \$64
 \$270
 2012 Unlevered Free Cash Yield
 7.4%
 7.6%
 11.2%
 2.1%

9.0%
 7.5%
 2013E Generation EBITDA
 \$553
 \$1,654
 \$1,193
 \$288
 \$463
 D&A
 (\$360)
 (\$596)
 (\$832)
 (\$260)
 (\$212)
 Taxes

 (\$126)

Maintenance Capex
 (\$119)
 (\$390)
 (\$246)
 (\$42)
 (\$60)
 Unlevered Free Cash Flow
 \$434
 \$1,264
 \$821
 \$246
 \$403

2013 Unlevered Free Cash Yield
 9.5%
 8.3%
 9.8%
 8.2%
 13.5%
 10.0%

(\$ in millions)

Note:

EBITDA for CPN, MIR, NRG and RRI based on Mark-to-Market EBITDA from BofA Merrill Lynch Weekly Mark report October 25, 2010. DYN EBITDA estimates per Proxy and add back \$50 mm lease expense and \$50 mm non-cash amortization Con Ed contract. Balance sheet information as of 6/30/2010. Stock prices as of 10/29/2010.

CPN:

Share count includes 44 mm shares issuable to bankruptcy estate. Net debt pro forma for closing of Conectiv Energy acquisition

NRG: Includes convertible preferred stock on an as-converted basis. Net debt pro forma for closing of Green Mountain Energy valuation is included in Enterprise Value using 5x EBITDA valuation.

COMPARABLE COMPANIES:
REPLACEMENT COST ANALYSIS

57

Note:

Balance sheet information as of 6/30/2010. Stock prices as of 10/29/2010. Replacement cost per Macquarie research US sm
grid

dated December 1, 2009.

CPN:
Share
count
includes
44
mm
shares
issuable
to
bankruptcy
estate.
Net
debt
pro
forma
for
closing
of
Conectiv
Energy
acquisition.

NRG:

Includes convertible preferred stock on an as-converted basis. Net debt pro forma for closing of Green Mountain Energy. Retention valuation is included in Enterprise Value using 5x EBITDA valuation.

(\$ in millions)

DYN

CPN

NRG

RRI

MIR

Stock Price

\$4.50

\$12.50

\$19.91

\$3.76

\$10.61

Diluted Shares Outstanding

121

487

266

353

145

Equity Value

\$543

\$6,086

\$5,291

\$1,328

\$1,538

Financial Enterprise Value

\$4,547

\$15,178
\$8,390
\$2,989
\$2,992
\$/KW
Ave
Repl
DYN
IPP
Cost
MWs
Peers
Coal
\$2,400
3,514

8,159
4,640
3,082
CCGT
\$1,000
4,404
20,192
717
2,749
238
Peakers
\$700
4,163
3,156
15,116
7,021
6,961
Nuclear
\$7,000

1,126

Geothermal
\$3,500

986

Total Capacity
12,081
24,334
25,118

14,410
10,281
Estimated Newbuild
Value
\$15,752
\$25,852
\$38,764
\$18,800
\$12,508
Financial Enterprise Value / Newbuild
29%
59%
22%
16%
24%
31%
1% Move in EV/Replacement Value
\$158
\$239
\$388
\$188
\$125
\$/Share
\$1.31
\$0.53
\$1.46
\$0.53
\$0.86
% of Stock Price
29%
4%
7%
14%
8%
8%
Book Value per Share
\$24.13
\$8.91
\$30.22
\$10.76
\$30.84
Price / Book
19%
140%
66%
35%
34%
69%

REFINING: A REPLACEMENT
COST CASE STUDY

58

Source: Barclays Capital research report Sunoco: Good Value for Patient Investors dated April 30, 2010.

NATURAL GAS SENSITIVITY:

MIDWEST COAL

59

2011

2012

2013

2014

2015

Capacity (MW)

3,144

2,980

2,980

2,687

2,687

Capacity factor

85.0%

85.0%

85.0%

85.0%

85.0%

Generation (millions of MWh)

23.4

22.2

22.2

20.0

20.0

Cinergy Around-the clock power price (\$ / MWh)

6/7/2010

\$34.54

\$36.02

\$38.82

\$41.96

\$46.33

11/3/2010

31.17

34.77

37.68

40.55

43.51

Change - \$ / MWh

(3.37)

(1.26)

(1.14)

(1.41)

(2.83)

Change - %

(9.8%)

(3.5%)

(2.9%)

(3.4%)

(6.1%)

Unhedged revenue impact (\$ mm)

(\$79)

(\$28)

(\$25)

(\$28)

(\$57)

% Hedged

100%

15%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$24)

(\$25)

(\$28)

(\$57)

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:
DANSKAMMER COAL

60
2011
2012
2013
2014

2015

Generation (MWh @ 85% capacity factor)

2.8

2.8

2.8

2.8

2.8

New York Zone G Around-the clock power price (\$ / MWh)

6/7/2010

\$54.67

\$56.32

\$58.55

\$60.01

\$62.84

11/3/2010

45.61

48.68

51.10

\$53.40

\$55.63

Change - \$ / MWh

(9.06)

(7.64)

(7.45)

(6.60)

(7.21)

Change - %

(16.6%)

(13.6%)

(12.7%)

(11.0%)

(11.5%)

Unhedged revenue impact (\$ mm)

(\$25)

(\$21)

(\$21)

(\$18)

(\$20)

% Hedged

100%

40%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$13)

(\$21)

(\$18)

(\$20)

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:

ONTELAUNEE

61

2011

2012

2013

2014

2015

Capacity (MW)

580

580

580

580

580

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

2.4

2.4

2.4

2.4

2.4

6/7/2010

PJM East on-peak power price (\$ / MWh)

60.67

61.57

63.48

65.30

69.39

TETCO M3 gas price (\$ / MMBtu)

6.14

6.30

6.38

6.56

6.77

Plus: Basis (\$ / MMBtu)

0.05

0.05

0.05

0.05

0.05

Delivered gas price (\$ / MMBtu)

6.19

6.35

6.43

6.61

6.82

Spark Spread (\$ / MWh @ 7,100 heat rate)

16.74

16.48

17.85

18.40

20.98

11/3/2010

PJM East on-peak power price (\$ / MWh)

54.73

58.27

61.16

63.82

67.04

TETCO M3 gas price (\$ / MMBtu)

4.74

5.39

5.68

5.86

6.02

Plus: Basis (\$ / MMBtu)

0.05

0.05

0.05

0.05

0.05

Delivered gas price (\$ / MMBtu)

4.79

5.44

5.73

5.91

6.07

Spark Spread (\$ / MWh @ 7,100 heat rate)

20.70

19.65

20.44

21.83

23.98

Change - \$ / MWh

3.96

3.17

2.60

3.43

2.99

Change - %

23.7%

19.2%

14.5%

18.6%

14.3%

Unhedged revenue impact (\$ mm)

\$10

\$8

\$6

\$8

\$7

% Hedged

100%

15%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

\$7

\$6

\$8

\$7

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:

KENDALL

62

2011

2012

2013

2014

2015

Capacity (MW)

1,200

1,200

1,200

1,200

1,200

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

5.0

5.0

5.0

5.0

5.0

6/7/2010

PJM West (COMED) on-peak power price (\$ / MWh)

41.94

42.08

44.09

48.81

53.69

Chicago City Gate gas price (\$ / MMBtu)

5.63

5.85

5.97

6.15

6.39

Plus: Basis (\$ / MMBtu)

0.10

0.10

0.10

0.10

0.10

Delivered gas price (\$ / MMBtu)

5.73

5.95

6.07

6.25

6.49

Spark Spread (\$ / MWh @ 7,400 heat rate)

(0.45)

(1.95)

(0.83)

2.53

5.70

11/3/2010

PJM West (COMED) on-peak power price (\$ / MWh)

37.65

41.93

44.49

46.55

48.21

Chicago City Gate gas price (\$ / MMBtu)

4.30

4.97

5.29

5.45

5.60

Plus: Basis (\$ / MMBtu)

0.10

0.10

0.10

0.10

0.10

Delivered gas price (\$ / MMBtu)

4.40

5.07

5.39

5.55

5.70

Spark Spread (\$ / MWh @ 7,400 heat rate)

5.10

4.44

4.62

5.47

6.01

Change - \$ / MWh

5.55

6.39

5.45

2.94

0.32

Change - %

(1220.2%)

(327.2%)

(656.3%)

116.0%

5.6%

Unhedged revenue impact (\$ mm)

\$28

\$32

\$27

\$15

\$2

% Hedged

100%

23%

23%

23%

23%

Net revenue impact to Dynegy (\$ mm)

\$0

\$25

\$21

\$11

\$1

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:
CASCO BAY

63

Note: Based on market data from commodity brokers and Seneca estimates.

2011

2012

2013

2014
 2015
 Capacity (MW)
 540
 540
 540
 540
 540
 Capacity factor
 48%
 48%
 48%
 48%
 48%
 Generation (millions of MWh)
 2.3
 2.3
 2.3
 2.3
 2.3
 6/7/2010
 NEPOOL on-peak power price (\$ / MWh)
 59.50
 61.21
 64.18
 65.43
 68.98
 Less: Basis (\$ / MWh)
 (4.50)
 (4.50)
 (4.50)
 (4.50)
 (4.50)
 Est. Casco Bay on-peak power price (\$ / MWh)
 55.00
 56.71
 59.68
 60.93
 64.48
 Dawn, ON gas price (\$ / MMBtu)
 5.90
 6.05
 6.17
 6.32
 6.52
 Plus: Basis (\$ / MMBtu)
 0.25
 0.25
 0.25
 0.25

0.25
 Delivered gas price (\$ / MMBtu)
 6.15
 6.30
 6.42
 6.57
 6.77
 Spark Spread (\$ / MWh
 @ 7,400 heat rate)
 9.52
 10.08
 12.21
 12.35
 14.35
 11/3/2010
 NEPOOL on-peak power price (\$ / MWh)
 50.08
 53.90
 56.76
 59.04
 61.69
 Less: Basis (\$ / MWh)
 (4.50)
 (4.50)
 (4.50)
 (4.50)
 (4.50)
 Est. Casco Bay on-peak power price (\$ / MWh)
 45.58
 49.40
 52.26
 54.54
 57.19
 Dawn, ON gas price (\$ / MMBtu)
 4.59
 5.20
 5.46
 5.63
 5.78
 Plus: Basis (\$ / MMBtu)
 0.25
 0.25
 0.25
 0.25
 0.25
 Delivered gas price (\$ / MMBtu)
 4.84
 5.45
 5.71
 5.88

6.03
Spark Spread (\$ / MWh
@ 7,400 heat rate)
9.79
9.05
10.01
11.01
12.53
Change -
\$ / MWh
0.26
(1.03)
(2.20)
(1.34)
(1.82)
Change -
%
2.8%
(10.3%)
(18.0%)
(10.9%)
(12.7%)
Unhedged
revenue impact (\$ mm)
\$1
(\$2)
(\$5)
(\$3)
(\$4)
% Hedged
100%
40%
0%
0%
0%
Net revenue impact to Dynegy (\$ mm)
\$0
(\$1)
(\$5)
(\$3)
(\$4)

NATURAL GAS SENSITIVITY:
INDEPENDENCE

64

Note: Based on market data from commodity brokers and Seneca estimates.

2011

2012

2013

2014

2015

Capacity (MW)

1,064

1,064

1,064

1,064

1,064

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

4.4

4.4

4.4

4.4

4.4

6/7/2010

NY Zone A on-peak power price (\$ / MWh)

44.32

44.40

44.80

45.11

47.92

Transco Zone 6 gas price (\$ / MMBtu)

6.19

6.36

6.43

6.62

6.83

Spark Spread (\$ / MWh

@ 7,300 heat rate)

(0.85)

(2.00)

(2.13)

(3.21)

(1.97)

11/3/2010

NY Zone A on-peak power price (\$ / MWh)

39.17

41.81

44.30

46.22

47.62

Transco Zone 6 gas price (\$ / MMBtu)

4.78

5.45

5.72
 5.91
 6.06
 Spark Spread (\$ / MWh
 @ 7,300 heat rate)
 4.26
 2.03
 2.52
 3.07
 3.36
 Change -
 \$ / MWh
 5.12
 4.04
 4.65
 6.28
 5.33
 Change -
 %
 (599.9%)
 (201.5%)
 (218.6%)
 (195.4%)
 (270.4%)
 Unhedged
 revenue impact (\$ mm)
 \$23
 \$18
 \$21
 \$28
 \$24
 % Hedged
 100%
 70%
 70%
 64%
 0%
 Net revenue impact to Dynegy (\$ mm)
 \$0
 \$5
 \$6
 \$10
 \$24

NATURAL GAS SENSITIVITY:
MOSS LANDING 1&2

65

Note: Based on market data from commodity brokers and Seneca estimates.

2011

2012

2013

2014
2015
Capacity (MW)
1,020
1,020
1,020
1,020
1,020
Capacity factor
57%
57%
57%
57%
57%
Generation (millions of MWh)
5.1
5.1
5.1
5.1
5.1
6/7/2010
NP-15 on-peak power price (\$ / MWh)
53.84
57.42
59.83
62.96
65.75
PG&E South gas price (\$ / MMBtu)
5.48
5.72
5.84
6.04
6.25
Plus: Basis (\$ / MMBtu)
0.30
0.30
0.30
0.30
0.30
Delivered gas price (\$ / MMBtu)
5.78
6.02
6.14
6.34
6.55
Spark Spread (\$ / MWh
@ 7,300 heat rate)
11.64
13.50
15.02

16.69
 17.96
 11/3/2010
 NP-15 on-peak power price
 40.57
 47.67
 52.43
 55.65
 58.32
 PG&E South gas price (\$ / MMBtu)
 4.14
 4.81
 5.13
 5.28
 5.43
 Plus: Basis (\$ / MMBtu)
 0.30
 0.30
 0.30
 0.30
 0.30
 Delivered gas price (\$ / MMBtu)
 4.44
 5.11
 5.43
 5.58
 5.73
 Spark Spread (\$ / MWh
 @ 7,300 heat rate)
 8.18
 10.35
 12.83
 14.88
 16.52
 Change -
 \$ / MWh
 (3.45)
 (3.15)
 (2.19)
 (1.80)
 (1.43)
 Change -
 %
 (29.7%)
 (23.4%)
 (14.6%)
 (10.8%)
 (8.0%)
 Unhedged
 revenue impact (\$ mm)

(\$18)

(\$16)

(\$11)

(\$9)

(\$7)

% Hedged

100%

50%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$8)

(\$11)

(\$9)

(\$7)

CERTAIN INFORMATION CONCERNING THE PARTICIPANTS

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (together with each of the foregoing, "Seneca Capital") have jointly made a preliminary filing with the Securities and Exchange Commission ("SEC") of a proxy statement and an accompanying proxy card to be used to solicit votes in connection with the solicitation of proxies against a proposed acquisition of Dynegy Inc. ("Dynegy") by Denali Parent Inc. and Denali Merger Sub Inc., which will be voted on at a meeting of Dynegy's stockholders.

SENECA CAPITAL ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT NO CHARGE ON THE SEC'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, THE PARTICIPANTS IN THE PROXY SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR, GEORGESON, INC., BY CALLING (888) 877-5373.

Each of Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (the "Participants") is a participant in this solicitation. Douglas A. Hirsch is the managing member of each of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC and Seneca Capital Advisors, LLC. The principal occupation of Mr. Hirsch is investment management. Seneca Capital Investments, LLC is the general partner of Seneca Capital Investments, L.P. Seneca Capital International GP, LLC is the general partner of Seneca Capital International Master Fund, L.P., and Seneca Capital Advisors, LLC is the general partner of Seneca Capital, L.P. The principal business address of Mr. Hirsch, Seneca Capital Investments, LLC, Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital International Master Fund, L.P., Seneca Capital Advisors, LLC and Seneca Capital, L.P. is c/o Seneca Capital Investments, LP, 590 Madison Avenue, 28th Floor, New York, New York 10022.

As of November 4, 2010, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of Dynegy's common stock, par value \$0.01 per share ("Shares"), representing beneficial ownership of approximately 6.4% of the Shares. As of November 4, 2010, Seneca Capital, L.P. beneficially owned 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, and Mr. Hirsch may be deemed to beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in the aggregate by Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may be deemed to beneficially own 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims beneficial ownership of the Shares except to the extent of its or his pecuniary interest therein, and this filing shall not be deemed an admission of beneficial ownership of such Shares for any purpose.

As of November 4, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held over-the-counter European-style call options, providing the right to purchase 1,986,900 and 904,100 Shares, respectively, at an exercise price of \$1.00 per Share as of January 21, 2011.