

DYNEGY INC.
Form DEFA14A
October 27, 2010

SCHEDULE 14A

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 Rule 14a-12

Dynegy Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

“Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EXPLANATORY NOTE:

On October 27, 2010, Dynegy Inc. ("Dynegy") announced that members of Dynegy's management will meet with representatives of proxy advisory firms over the next few weeks to discuss the previously announced Agreement and Plan of Merger, dated as of August 13, 2010, providing for the acquisition of Dynegy by Denali Parent Inc., an affiliate of The Blackstone Group L.P. Dynegy will use a presentation in its meetings with representatives of proxy advisory firms; a copy of the presentation and a press release announcing the filing of the presentation with the Securities and Exchange Commission are included below.

FOR IMMEDIATE RELEASE NR10-22

DYNEGY INC. FILES INVESTOR PRESENTATION TO BE USED IN MEETINGS WITH PROXY ADVISORY FIRMS

Reiterates Recommendation of Dynegy Board that Stockholders of Dynegy Vote FOR the Merger Agreement with Blackstone by Voting the WHITE Proxy Card Today

HOUSTON – October 27, 2010 – Dynegy Inc. (NYSE: DYN) today announced that it is filing with the Securities and Exchange Commission (“SEC”) an investor presentation to be used in meetings it will have with certain proxy advisory firms. This presentation highlights a number of important facts pertaining to the previously announced merger agreement with an affiliate of The Blackstone Group L.P. under which the affiliate of Blackstone would acquire all of the outstanding shares of Dynegy common stock for \$4.50 per share in cash.

The investor presentation and other communications materials related to the Blackstone transaction are available in the “Investor Relations” section of Dynegy’s website at www.dynegy.com and at the SEC’s website, www.sec.gov.

Dynegy’s Special Meeting of Stockholders is scheduled for November 17, 2010. Dynegy stockholders of record as of the close of business on October 1, 2010 are entitled to notice of, and to vote at, the Special Meeting. Dynegy’s Board of Directors recommends stockholders vote FOR the proposal to adopt the merger agreement today – by telephone, by Internet or by signing, dating and returning the Company’s WHITE proxy card. A failure to vote will have the same effect as a vote AGAINST the proposal to adopt the merger agreement.

Stockholders who have any questions or need assistance voting their shares should contact MacKenzie Partners, Inc., Dynegy’s proxy solicitor, by calling toll-free at (800) 322-2885 or (212) 929-5500 (call collect) or by e-mailing dynegy@mackenziepartners.com.

If you have any questions, require assistance in voting your shares, or need additional copies of Dynegy's proxy materials, please call MacKenzie Partners at the phone numbers listed below.

105 Madison Avenue
New York, NY 10016
dynegy@mackenziepartners.com
(212) 929-5500 (call collect)

Or

TOLL-FREE (800) 322-2885

About Dynegy Inc.

Through its subsidiaries, Dynegy Inc. produces and sells electric energy capacity and ancillary services in key U.S. markets. The power generation portfolio consists of approximately 12,200 megawatts of baseload, intermediate and peaking power plants fueled by a mix of natural gas, coal and fuel oil. For more information, please visit www.dynegy.com.

Cautionary Statement Regarding Forward-Looking Statements

This release contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as "forward-looking statements". All statements included or incorporated by reference in this release, other than statements of historical fact, that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate", "estimate", "project", "forecast", "plan", "may", "will", "should", "expect" and other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following: (i) the timing and anticipated benefits to be achieved through our 2010-2013 company-wide cost savings program; (ii) beliefs and assumptions relating to liquidity, available borrowing capacity and capital resources generally; (iii) expectations regarding environmental matters, including costs of compliance, availability and adequacy of emission credits, and the impact of ongoing proceedings and potential regulations or changes to current regulations, including those relating to climate change, air emissions, cooling water intake structures, coal combustion byproducts, and other laws and regulations to which we are, or could become, subject; (iv) beliefs about commodity pricing and generation volumes; (v) anticipated liquidity in the regional power and fuel markets in which we transact, including the extent to which such liquidity could be affected by poor economic and financial market conditions or new regulations and any resulting impacts on financial institutions and other current and potential counterparties; (vi) sufficiency of, access to and costs associated with coal, fuel oil and natural gas inventories and transportation thereof; (vii) beliefs and assumptions about market competition, generation capacity and regional supply and demand characteristics of the wholesale power generation market, including the potential for a market recovery over the longer term; (viii) the effectiveness of our strategies to capture opportunities presented by changes in commodity prices and to manage our exposure to energy price volatility; (ix) beliefs and assumptions about weather and general economic conditions; (x) beliefs regarding the U.S. economy, its trajectory and its impacts, as well as Dynegy's stock price; (xi) projected operating or financial results, including anticipated cash flows from operations, revenues and profitability; (xii) beliefs and expectations regarding the Plum

Point Project; (xiii) expectations regarding our revolver capacity, credit facility compliance, collateral demands, capital expenditures, interest expense and other payments; (xiv) our focus on safety and our ability to efficiently operate our assets so as to maximize our revenue generating opportunities and operating margins; (xv) beliefs about the outcome of legal, regulatory, administrative and legislative matters; (xvi) expectations and estimates regarding capital and maintenance expenditures, including the Midwest Consent Decree and its associated costs; and (xvii) uncertainties associated with the proposed merger of Dynegy and an affiliate of Blackstone (the "Merger"), including uncertainties relating to the anticipated timing of filings and approvals relating to the Merger and the sale by an affiliate of Blackstone of certain assets to NRG Energy, Inc. (the "NRG Sale"), the outcome of legal proceedings that have been or may be instituted against Dynegy and/or others relating to the Merger and/or the NRG Sale, the expected timing of completion of the Merger and the NRG Sale, the satisfaction of the conditions to the consummation of the Merger and the NRG Sale and the ability to complete the Merger and the NRG Sale.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, many of which are beyond our control.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

In connection with the Merger, Dynegy filed a definitive proxy statement with the SEC on October 4, 2010, and commenced mailing the definitive proxy statement and form of proxy to the stockholders of Dynegy. **BEFORE MAKING ANY VOTING DECISION, DYNEGY'S STOCKHOLDERS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT REGARDING THE MERGER CAREFULLY AND IN ITS ENTIRETY BECAUSE IT CONTAINS IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER.** Dynegy's stockholders are able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents filed with the SEC from the SEC's website at <http://www.sec.gov>. Dynegy's stockholders are also able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents by directing a request by mail or telephone to Dynegy Inc., Attn: Corporate Secretary, 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, telephone: (713) 507-6400, or from Dynegy's website, <http://www.dynegy.com>.

PARTICIPANTS IN THE SOLICITATION

Dynegy and its directors and officers may be deemed to be participants in the solicitation of proxies from Dynegy's stockholders with respect to the Merger. Information about Dynegy's directors and executive officers and their ownership of Dynegy's common stock is set forth in the proxy statement for Dynegy's 2010 Annual Meeting of Stockholders, which was filed with the SEC on April 2, 2010. Stockholders may obtain additional information regarding the interests of Dynegy and its directors and executive officers in the Merger, which may be different than those of Dynegy's stockholders generally, by reading the definitive proxy statement filed with the SEC on October 4, 2010 and other relevant documents regarding the Merger when filed with the SEC.

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Dynegy Acquisition by
The Blackstone Group L.P.
Presentation to Proxy Advisory Firms
October 27, 2010

Cautionary Statement Regarding Forward-Looking Statements

This presentation contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as “forward looking statements.”

Discussion of risks and uncertainties that could cause actual results to differ materially from current projections, forecasts, estimates and expectations of Dynegy Inc. (“Dynegy”) is contained in Dynegy’s filings with the Securities and Exchange Commission (the “SEC”). Specifically, Dynegy makes reference to, and incorporates herein by reference, the section entitled “Risk Factors” in its most recent Form 10-K and subsequent reports on Form 10-Q, and the section entitled “Cautionary Statement Regarding Forward-Looking Statements” in its most recent definitive proxy statement filed with the SEC on October 4, 2010. In addition to the risks and uncertainties set forth in Dynegy’s SEC filings, the forward-looking statements described in this presentation could be affected by, among other things, (i) the timing and anticipated benefits to be achieved through Dynegy’s 2010-2013 company-wide cost savings program; (ii) beliefs and assumptions relating to liquidity, available borrowing capacity and capital resources generally; (iii) expectations regarding environmental matters, including costs of compliance, availability and adequacy of emission credits, and the impact of ongoing proceedings and potential regulations or changes to current regulations, including those relating to climate change, air emissions, cooling water intake structures, coal combustion byproducts, and other laws and regulations to which Dynegy is, or could become, subject; (iv) beliefs about commodity pricing and generation volumes; (v) anticipated liquidity in the regional power and fuel markets in which Dynegy transacts, including the extent to which such liquidity could be affected by poor economic and financial market conditions or new regulations and any resulting impacts on financial institutions and other current and potential counterparties; (vi) sufficiency of, access to and costs associated with coal, fuel oil and natural gas inventories and transportation thereof; (vii) beliefs and assumptions about market competition, generation capacity and regional supply and demand characteristics of the wholesale power generation market, including the potential for a market recovery over the longer term; (viii) the effectiveness of Dynegy’s strategies to capture opportunities presented by changes in commodity prices and to manage its exposure to energy price volatility; (ix) beliefs and assumptions about weather and general economic conditions; (x) beliefs regarding the U.S. economy, its trajectory and its impacts, as well as Dynegy’s stock price; (xi) projected operating or financial results, including anticipated cash flows from operations, revenues and profitability; (xii) beliefs and expectations regarding the Plum Point Project; (xiii) expectations regarding Dynegy’s revolver capacity, credit facility compliance, collateral demands, capital expenditures, interest expense and other payments; (xiv) Dynegy’s focus on safety and its ability to efficiently operate its assets so as to maximize its revenue generating opportunities and operating margins; (xv) beliefs about the outcome of legal, regulatory, administrative and legislative matters; (xvi) expectations and estimates regarding capital and maintenance expenditures, including the Midwest Consent Decree and its associated costs; and (xvii) uncertainties associated with the proposed transaction between Dynegy and an affiliate of Blackstone (the “Merger”), including uncertainties relating to the anticipated timing of filings and approvals relating to the Merger and the sale by an affiliate of Blackstone of certain assets to NRG Energy, Inc. (the “NRG Sale”), the outcome of legal proceedings that have been or may be instituted against Dynegy and/or others relating to the merger agreement and/or the NRG Sale, the expected timing of completion of the Merger, the satisfaction of the conditions to the consummation of the Merger with an affiliate of Blackstone and the NRG Sale and the ability to complete the Merger. Any or all of Dynegy’s forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, many of which are beyond Dynegy’s control.

Non-GAAP Financial Measures: This presentation contains non-GAAP financial measures including Enterprise Value, EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Net Debt, Adjusted

Net Debt, Net Debt and Other Obligations and Adjusted Debt. Reconciliations of these measures to the most directly comparable GAAP measures to the extent available without unreasonable effort are contained herein. To the extent required, statements disclosing the definitions of such non-GAAP financial measures are included herein.

WHERE YOU CAN FIND MORE INFORMATION

In connection with the Merger, Dynegy filed a definitive proxy statement with the SEC on October 4, 2010 and commenced mailing the definitive proxy statement and form of proxy to the stockholders of Dynegy. **BEFORE MAKING ANY VOTING DECISION, DYNEGY'S STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT REGARDING THE MERGER CAREFULLY AND IN ITS ENTIRETY BECAUSE IT CONTAINS IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER.** Dynegy's stockholders are able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents filed with the SEC from the SEC's website at <http://www.sec.gov>. Dynegy's stockholders are also able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents by directing a request by mail or telephone to Dynegy Inc., Attn: Corporate Secretary, 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, telephone: (713) 507-6400, or from the Dynegy's website, <http://www.dynegy.com>.

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Forward-Looking Statements/Additional Information/
Participants in Solicitation

Overview

- The Dynegy/Blackstone transaction is the result of a lengthy and extensive evaluation of strategic alternatives by Dynegy to maximize stockholder value
 - Contacted 16 parties in the two years prior to announcement of the Blackstone transaction
 - Evaluated potential asset sales and other alternatives, including a business combination with a strategic partner
 - Contacted 42 parties in 2010 during the “Go-shop” process with no proposal, let alone a superior proposal, emerging
 - This multi-year process has resulted in Blackstone’s current offer
 - Dynegy believes Blackstone’s cash offer of \$4.50 per share provides stockholders with immediate fair value in cash and removes risks associated with market conditions, ongoing regulatory uncertainties and Dynegy’s capitalization and cash requirements
 - Dynegy’s substantial leverage and forecasted negative free cash flow create a very challenging liquidity position over time
 - Dynegy’s Board has concluded that the risks of continuing to operate as a stand-alone public company significantly outweigh the potential upside of doing so
 - An affiliate of The Blackstone Group L.P. has agreed to acquire Dynegy Inc. in an all-cash transaction valued at ~\$4.7 billion, including the assumption of existing debt
 - Dynegy’s stock price could trade at or below its pre-announcement stock price if the Blackstone transaction is not completed
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- \$4.50 per share cash offer, representing a substantial premium to pre-announcement stock price
 - Transaction was announced August 13, 2010
 - ~62% premium to August 12, 2010 closing price (\$2.78/share)
 - ~26% premium to prior 30-day average closing price
 - No financing conditions
- Board of Directors received written fairness opinions from Goldman, Sachs & Co. and Greenhill & Co., LLC(5)
 - Path to completion
 - Requested FERC approval by October 29, 2010
 - California Public Utilities Commission (notice period ends November 11, 2010)
 - Stockholder approval (meeting scheduled for November 17, 2010)
 - New York Public Service Commission (expect to receive consent order on or about November 18, 2010)
 - Concurrent closing of NRG/Blackstone transaction
 - Expect to close by end of November 2010

Key Transaction Terms

4

- (1) Based on shares outstanding as of October 1, 2010. (2) As of June 30, 2010 and includes value of Central Hudson capitalized lease. (3) Based on Summary Financial Forecasts used by Dynegy's Board of Directors in evaluating the proposed transaction and does not represent Guidance estimates. Adjusted EBITDAR is calculated using estimated 2010, 2011 and 2012 Adjusted EBITDA of \$517, \$405 and \$348 million, respectively, and adjusted to exclude Central Hudson lease expense of ~\$50 million as it is included in net debt & other obligations. See definitive proxy statement for details surrounding assumptions.
- (4) Merchant Power Peers reflect market-capitalization-weighted index which includes Calpine, Mirant, NRG Energy and RRI Energy performance as of October 20, 2010. (5) See definitive proxy statement for the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Goldman Sachs and Greenhill & Co. in connection with their respective opinions. (6) Peer set includes CPN, NRG and RRI (GenOn). CPN basic share count includes 44mm shares held in trust for settlement of future bankruptcy creditor claims and is pro forma for the Conectiv fleet acquisition and sale of Colorado plants . RRI (GenOn) adjusted for merger of RRI Energy and Mirant at 2.835 fixed exchange ratio and includes \$150mm of annual synergies per management forecast, with 0%, 50% and 100% achieved in 2010, 2011 and 2012, respectively. NRG not pro forma for any recently announced but uncompleted acquisitions.

Transaction Overview

The Blackstone Transaction is the Culmination of a
Lengthy and Extensive Evaluation of Strategic
Alternatives to Maximize Value for Dynegy Stockholders

- In connection with recommending the Blackstone transaction to stockholders, Dynegy's Board of Directors, in consultation with its independent financial and legal advisors, undertook a comprehensive review of numerous strategic alternatives including:
 - Continuing as a stand-alone entity
 - A sale of Dynegy
 - A business combination with a strategic partner
- A sale of Dynegy's coal generating facilities or gas fired assets, including those gas fired assets located in the western region of the United States
 - The proposal received from Blackstone
- Goldman, Sachs & Co. and Greenhill & Co., LLC each provided a written fairness opinion to the Board of Directors on August 13, 2010
 - Financial analyses presented to the Dynegy Board included:
 - Multiples of select companies and transactions
 - Transaction premiums
 - Discounted cash flow
 - Sum-of-the-parts
 - Research analysts' stock price targets
 - Historical share price

Thorough Board Evaluation

6

In connection with approving the transaction with Blackstone, Dynegy's Board analyzed numerous strategic alternatives and received written fairness opinions

Note: See definitive proxy statement for the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Goldman Sachs and Greenhill & Co. in connection with their respective opinions.

- Over the past two years, Dynegy has explored a range of strategic alternatives in an effort to enhance value for stockholders:
 - Fall 2008: Discussions with NRG Energy
 - Late 2008/Early 2009: Dynegy and its advisors solicited interest from 16 potential acquirers or merger partners. Three parties engaged in preliminary discussions regarding a possible acquisition or merger of equals. No transaction materialized
 - Summer/Fall 2009: Dynegy successfully completed the restructuring of LS Power's ownership and governance rights positions, including the disposition of certain assets
 - Late 2009/Early 2010: Dynegy reviewed strategic alternatives with the benefit of its simplified capital structure and governance positions, including stand-alone plans and potential business combinations or sale transactions
 - Early 2010: Dynegy re-engaged in discussions with one of the companies with which Dynegy previously held preliminary discussions, but no transaction materialized
- Lengthy & Extensive Board Process

- Spring/Summer 2010: Re-engaged with NRG, focusing on a transaction involving a potential subsequent sale by NRG of Dynegy’s coal assets. NRG expressed concern regarding its ability to dispose of the coal assets on acceptable terms and advised Dynegy that it did not want to proceed with an acquisition of Dynegy
- Summer 2010: Blackstone contacted Dynegy to inquire about performing due diligence to purchase Dynegy in an all-cash acquisition. Blackstone and NRG discussed the acquisition by NRG of certain Dynegy gas-fired assets concurrent with the proposed Dynegy/Blackstone transaction
- The Dynegy Board negotiated extensively with Blackstone to reach an agreement
Lengthy & Extensive Board Process (cont’d)

8

Blackstone’s offer, with its substantial premium, was the culmination of a lengthy and extensive process and provides the greatest value for Dynegy stockholders

- Dynegy and its financial advisors actively solicited superior offers for 40 days following the Blackstone announcement
 - Solicited 42 parties and the opportunity was widely publicized
 - 8 confidentiality agreements were signed and extensive data was provided
 - No proposals were received
 - Merger agreement provides for a break-up fee of only 0.5% of total enterprise value during the “Go-shop” process
 - § Post “Go-shop,” break-up fee represents 1.1% of total enterprise value
 - Dynegy’s “Go-shop” process was a broad, public process that the financial and industry communities at large were aware of, and any interested party had every opportunity to submit what it felt constituted a superior offer to the Blackstone offer
 - Despite the broad solicitation of potentially interested parties, no party made a proposal, let alone a superior proposal, during the “Go-shop” process
- “Go-Shop” Process to Maximize Value
- Blackstone’s offer is the only offer received and provides immediate stockholder value, while eliminating risk
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Dynegy will Continue to Face Significant Challenges and Its
Ability to Operate Could be Attended by Significant Risks

The Proposed Transaction with Blackstone Eliminates
the Substantial Risks of a Stand-Alone Strategy

Dynegy believes that while long-term fundamentals remain intact...

Anticipated timing to realize the upside of the sector has been significantly delayed due to the recession and other factors.

There are several market and company-specific challenges in the near- to medium-term, many of which are beyond Dynegy's control, that pose a significant risk to reaching a recovery.

- Low and declining commodity prices and a weak economy
- Weak financial conditions/prospects compound significant refinancing risk
 - High leverage and fixed costs in a low commodity price environment
 - Regulatory and environmental risk and uncertainty
- \$1.1 billion negative cash flow through 2015 (per Summary Financial Forecasts); would be \$1.6 billion using September 7, 2010 commodity curves
 - This \$500 million increase in projected negative cash flow represents ~92% of Dynegy's current equity value

Absent significant improvements in BOTH commodity prices and the financial condition of Dynegy, operating as a stand-alone company involves substantial risk to Dynegy stockholders

12

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Source: Summary Financial Forecast, Bloomberg / CSI market data as of October 20, 2010, NYMEX. Commodity price curves through 2012 based upon price curves as of the applicable date and commodity price assumptions after 2012

were based upon price curves as of the applicable date and adjusted based upon management's fundamental outlook. 5-year Natural Gas Forward Average reflects average of monthly forwards for the calendar years 2010 - 2015 as of the applicable date. DYN share prices represent closing prices for August 12, 2010, June 7, 2010, September 25, 2009, and September 26, 2008, as applicable. Following the transaction announcement, Dynegy's stock price has not correlated to the price decline in natural gas.

12

- Forward natural gas prices have fallen consistently over the last two years
- Decline of 42% in the 2010-2015 average forward curve since Sep 2008
- Decline of 15% since Jun 7, 2010
- Decline of 7% since transaction announcement
 - Dynegy's stock price is highly correlated with natural gas prices that continue to fall
- Dynegy's high leverage increases its risk profile, which increases its stock price sensitivity to natural gas prices

Natural Gas Price (Henry Hub \$/mmbtu)
Conditions have continued to deteriorate since Blackstone's offer.