DYNEGY INC /IL/
Form S-4
March 15, 2006
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As filed with the Securities and Exchange Commission on March 15, 2006

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Dynegy Inc.

(Exact name of registrant as specified in its charter)

Illinois	4911	74-2928353
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1000 Louisiana, Suite 5800

Houston, Texas 77002

(713) 507-6400

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

J. Kevin Blodgett, Esq.

General Counsel and Executive Vice President, Administration

Dynegy Inc.

1000 Louisiana, Suite 5800

Houston, Texas 77002

(713) 507-6400

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the Offer described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee(3)**
Class A Common Stock, no par value	54,598,388	(2)	$253,011,000	$27,073

(1) Represents the estimated maximum number of shares of Dynegy Inc. (the Company) Class A common stock issuable upon conversion of the aggregate principal amount outstanding of the Company s 4.75% Convertible Subordinated Debentures due 2023 pursuant to this offer.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1) and (3) and 457(c) under the Securities Act of 1933, as amended, based on (a) the product of (i) $1,326.26, which was the average of the high and low bid and ask price for $1,000 principal amount of Debentures on the over-the-counter market on March 10, 2006, and (ii) the quotient of (x) $225,000,000, the aggregate principal amount at maturity of Debentures which are sought for conversion, and (y) $1,000, less (b) $45,397,500, the maximum aggregate amount of cash to be paid by the Company pursuant to the offer to convert, assuming that the offer is fully subscribed by holders of the Debentures (including payment of accrued interest of $1,781,250).

(3) Computed in accordance with Rule 457(f) under the Securities Act to be $27,073, which is equal to .000107 of the proposed maximum aggregate offering price of $253,011,000.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this Prospectus and Solicitation Statement may be changed. We may not complete the offer to convert and issue these securities until the registration statement filed with the Securities and Exchange Commission (the SEC) is effective. This Prospectus and Solicitation Statement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION; DATED MARCH 15, 2006

PROSPECTUS AND SOLICITATION STATEMENT

OFFER TO CONVERT

Dynegy Inc.

4.75% Convertible Subordinated Debentures due 2023

for

Cash and Shares of Dynegy Inc. Class A Common Stock

and

CONSENT SOLICITATION

Dynegy Inc. (Dynegy) hereby offers to convert all of its outstanding 4.75% Convertible Subordinated Debentures due 2023 (the Debentures) to shares of Class A common stock, no par value per share, of Dynegy and cash, upon the terms and subject to the conditions specified in this Prospectus and Solicitation Statement (the Prospectus) and the related Letter of Transmittal and Consent (the Letter of Transmittal and Consent and, together with this Prospectus, the Offer). The Debentures are currently convertible at a rate of 242.6595 shares of Class A common stock for each $1,000 principal amount of Debentures, which is equivalent to a conversion price of approximately $4.1210 per share (subject to specified adjustments). Subject to the terms and conditions of the Offer, registered holders of Debentures (Holders) who validly tender (and do not withdraw) their Debentures for conversion at or prior to 5:00 p.m., New York City time, on April 13, 2006 will receive for each $1,000 principal amount of Debentures the following Offer Consideration :

242.6595 shares of our Class A common stock issuable upon conversion of the Debentures;

a premium of $193.85 payable in cash (the Premium); and

accrued and unpaid interest from February 15, 2006 up to, but not including, the Payment Date (as defined below), which is expected to be approximately $7.92 payable in cash.

In connection with the Offer, we are also soliciting (the Consent Solicitation), upon the terms and subject to the conditions specified in this Prospectus, consents (the Consents) from the Holders to proposed amendments to the indenture under which the Debentures were issued, to eliminate the cross-default and cross-acceleration provisions contained therein (the Proposed Amendments), as more particularly described in The Offer and Consent Solicitation The Proposed Amendments. Any Holder that tenders Debentures pursuant to the Offer must also deliver a Consent to the Proposed Amendments. Holders may not deliver consents to the Proposed Amendments without tendering Debentures. Holders that validly tender their Debentures pursuant to the Offer will be deemed to have validly delivered their Consents to the Proposed Amendments by such tender. Although our acceptance of Debentures for conversion is not subject to any minimum tender condition, the Proposed Amendments will only be effective if we receive valid Consents from holders of a majority in aggregate principal amount of the Debentures.

Our Class A common stock is listed on the New York Stock Exchange, or NYSE, under the symbol DYN. The last reported sale price of our Class A common stock on March 14, 2006 was $4.94 per share.

This Offer and Consent Solicitation will expire at 5:00 p.m., New York City time, on April 13, 2006, unless extended or terminated by us (such time and date, as the same may be extended, the Expiration Date). Holders must validly tender their Debentures for conversion at or prior to the Expiration Date to receive the Offer Consideration.

None of Dynegy, the conversion agent, the information agent, the dealer manager or any other person is making any recommendation as to whether you should tender your Debentures or deliver Consents pursuant to this Offer and Consent Solicitation.

SEE RISK FACTORS BEGINNING ON PAGE 10 FOR A DISCUSSION OF FACTORS THAT YOU SHOULD CONSIDER WITH RESPECT TO THIS OFFER AND CONSENT SOLICITATION.

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued upon conversion of the Debentures or this transaction, passed upon the merits or fairness of this transaction, or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The Dealer Manager for the Offer and Consent Solicitation is:

Citigroup

, 2006

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You should rely only on the information contained or incorporated by reference in this Prospectus. Neither we nor the dealer manager has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this Prospectus or in any document incorporated by reference herein is accurate only as of the date appearing on the front cover of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

This Prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this document. See Documents Incorporated by Reference. This information is available without charge to you upon written or oral request to: Dynegy Inc., 1000 Louisiana, Suite 5800, Houston, Texas 77002, (713) 507-6400, Attention: Investor Relations. To obtain timely delivery, you must request the information no later than five business days before the expiration date of the Offer. Unless extended or earlier terminated by us, the expiration date of the Offer is 5:00 p.m., New York City time, on April 13, 2006.

In this Prospectus, we, us, our, Dynegy and Company refer to Dynegy Inc. and its subsidiaries, unless the context requires otherwise

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UNCERTAINTY OF FORWARD-LOOKING STATEMENTS AND INFORMATION

This Prospectus includes 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 Prospectus, 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 words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

- projected operating or financial results, including anticipated cash flows from operations;
- expectations regarding capital expenditures, interest expense and other payments;
- beliefs about commodity pricing;
- strategies to capture opportunities presented by rising commodity prices and strategies to manage our risk exposure to energy price volatility while reducing our hedging;
- plans to achieve fuel-related, general and administrative, and other targeted cost savings;
- beliefs and assumptions relating to our liquidity position, including our ability to satisfy or refinance our significant debt maturities and other obligations before or as they come due;
- strategies to address our substantial leverage, to access the capital markets, or to obtain additional financing or more favorable financing terms;
- measures to compete effectively with industry participants;
- beliefs and assumptions about market competition, fuel supply, power demand, generation capacity and regional recovery of the wholesale power generation market;
- coal and fuel oil inventories;
- beliefs about the outcome of legal and administrative proceedings, including the matters involving the western power and natural gas markets, environmental and master netting agreement matters, and the investigations primarily relating to our past trading practices;
- assumptions about prospective regulatory developments;

- expectations regarding environmental matters, including cost of compliance and availability and adequacy of emission credits;
- application of the proceeds from the sale of our Midstream natural gas business;
- positioning our power generation business for future growth; and
- our ability to complete our exit from the customer risk management business and the costs associated with this exit.

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, including those set forth under the heading Risk Factors.

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In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements. Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements.

All forward-looking statements contained in this Prospectus are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made.

MARKET AND INDUSTRY DATA

Certain market and industry data included or incorporated by reference in this Prospectus has been obtained from third party sources that we believe to be reliable. We have not independently verified such third party information and cannot assure you of its accuracy or completeness. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings Uncertainty Regarding Forward-Looking Statements and Information and Risk Factors in this Prospectus.

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SUMMARY

This summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this Prospectus. Because this is a summary, it may not contain all of the information you should consider before deciding whether or not to tender your Debentures and deliver your Consents pursuant to the Offer and Consent Solicitation. You should read this entire Prospectus carefully, including the section entitled Risk Factors, as well as the documents incorporated herein by reference, before making a decision regarding the Offer and Consent Solicitation. See Where You Can Find More Information.

The Company

Our primary business is the production and sale of electric energy, capacity and ancillary services from our 12,638 MW fleet (21 plants) of owned or leased power generation facilities. The majority of our assets are located in the Midwest, New York, Texas and the Southeast. Our diverse power generation facilities generate electricity by burning coal, natural gas or oil. We sell electric energy, capacity and ancillary services by various means: (1) primarily through bilateral negotiated contracts with third parties and into regional central markets, and (2) with lesser volumes through structured wholesale over-the-counter markets and directly to end-use customers.

We also have a customer risk management (CRM) business. After the termination of our Sterlington long-term wholesale power tolling contract (the Sterlington Toll Contract) on March 7, 2006, our CRM business primarily consists of Kendall, the segment s remaining power tolling arrangement, as well as our legacy physical gas supply contracts, gas supply and gas transportation contracts and gas, power and emissions trading positions.

On October 31, 2005, we sold our other principal business, DMSLP, a natural gas liquids production and marketing enterprise, to Targa Resources.

We are a holding company incorporated in Illinois and conduct substantially all of our business operations through our subsidiaries. Our principal executive office is located at 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, and our telephone number at that office is (713) 507-6400. Our website is located at *www.dynegy.com*. The information on, or accessible through, our website is not a part of, or incorporated by reference in, this Prospectus.

Purpose of the Offer

We are making this Offer in order to encourage Holders to tender their Debentures for conversion before the expiration of the Offer. We believe that the conversion of the Debentures will improve our capitalization on a consolidated basis by increasing our outstanding equity and reducing our indebtedness.

Financing of the Offer

Assuming full participation, we will need approximately $45,397,500 in cash to fund the cash portions of the Offer Consideration (including payment of accrued interest of approximately $1,781,250 on the Debentures). We will use cash on hand to make these payments. Accordingly, the Offer is not conditioned on the obtaining of financing. The shares of Class A common stock to be issued in the Offer are available from our authorized but unissued shares of Class A common stock.

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Recent Developments

Termination of Sterlington Toll Contract

On December 23, 2005, we and our wholly-owned subsidiary Dynegy Power Marketing Inc. (DYPM) entered into an agreement with Quachita Power LLC (Quachita), a joint venture of GE Energy Financial Services and Cogentrix Energy, Inc., to terminate our Sterlington long-term wholesale power tolling contract with Quachita (the Sterlington Toll Contract). The Sterlington Toll Contract, which was entered into on June 1, 2000, required DYPM to make certain fixed and variable payments to Quachita and in return Quachita committed to produce and deliver to DYPM electricity from its 835-megawatt Sterlington, Louisiana natural gas-fired power generating station. Under the terms of the agreement, which closed on March 7, 2006, we paid Quachita approximately $370 million (the Sterlington Payment) to eliminate approximately $456 million in capacity payment obligations through 2012 and approximately $295 million in additional capacity payment obligations that would arise if Quachita exercised its option to extend the contract through 2017. We recorded a fourth quarter pre-tax charge of approximately $364 million (approximately $229 million after-tax) associated with this termination.

Senior Secured Credit Facility

On March 6, 2006, we and our principal financing subsidiary, Dynegy Holdings Inc. (DHI), entered into a third amended and restated credit agreement (the Senior Secured Credit Facility) with Citicorp USA, Inc. and JPMorgan Chase Bank, N.A., as co-administrative agents, JP Morgan Chase Bank, N.A., as collateral agent, Citigroup Global Markets Inc. and JP Morgan Securities Inc., as joint lead arrangers, and the other financial institutions parties thereto as lenders. The Senior Secured Credit Facility replaced DHI s former cash-collateralized letter of credit facility with a $400 million revolving credit facility thereby permitting the return to DHI of $335 million plus accrued interest in cash collateral securing the former letter of credit facility (the Cash Collateral Return). The Senior Secured Credit Facility is secured by substantially all of the assets of DHI, as borrower, and certain of its subsidiaries, as subsidiary guarantors, and certain of the assets of Dynegy, as parent guarantor. Letters of credit issued under the former letter of credit facility will be continued under the Senior Secured Credit Facility.

The revolving credit facility matures March 6, 2009. Borrowings under the revolving credit facility bear interest, at DHI s option, at either the base rate, which is calculated as the higher of Citibank s publicly announced base rate and the federal funds rate in effect from time to time plus 0.50%, or the Eurodollar rate, in each case, plus an applicable margin. The applicable margin is 1% per annum for base rate loans and 2% percent per annum for Eurodollar loans. An unused commitment fee of 0.50% is payable on the unused portion of the revolving credit facility.

The Senior Secured Credit Facility contains mandatory prepayment provisions associated with specified asset sales and dispositions (including as a result of casualty or condemnation) and the receipt of proceeds by DHI and certain of its subsidiaries of any permitted additional non-recourse indebtedness. Commencing in 2008 with respect to the fiscal year ending December 31, 2007, each year DHI will be required to apply toward the prepayment of the loans and the permanent reduction of the commitments under the revolving credit facility (or to posting cash collateral in lieu thereof), a portion of its excess cash flow as calculated under the Senior Secured Credit Facility for the prior fiscal year. This portion will be 50% initially and will fall to 25% when and if DHI s leverage ratio is less than or equal to 3.50 to 1.00.

The Senior Secured Credit Facility contains affirmative covenants and negative covenants and events of default. Subject to certain exceptions, DHI and its subsidiaries are subject to restrictions on incurring additional indebtedness, limitations on capital expenditures and limitations on dividends and other payments in respect of

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capital stock. The Senior Secured Credit Facility also contains certain financial covenants, including a minimum cash equivalents covenant that requires DHI and certain of its subsidiaries to maintain at all times cash equivalents in an aggregate principal amount of no less than $1 billion and a leverage ratio of secured debt to adjusted EBITDA, as defined in the Senior Secured Credit Facility, of no greater than 9.0:1 through December 31, 2006, no greater than 7.5:1 during 2007, and no greater than 7.0:1 during 2008 and thereafter.

Dynegy Holdings Inc*. *Offer to Purchase Second Priority Senior Secured Notes

Concurrently with this Offer and Consent Solicitation, DHI has commenced a tender offer and consent solicitation (the SPN Tender Offer) for all $225 million of DHI s outstanding Second Priority Senior Secured Floating Rate Notes due 2008 (the 2008 Notes), all $625 million of DHI s 9.875% Second Priority Senior Secured Notes due 2010 (the 2010 Notes) and all $900 million of DHI s 10.125% Second Priority Senior Secured Notes due 2013 (the 2013 Notes and, collectively with the 2008 Notes and the 2010 Notes, the Second Priority Notes). The SPN Tender Offer is scheduled to expire on April 11, 2006.

The total consideration per $1,000 principal amount of the 2008 Notes tendered and accepted for purchase pursuant to the SPN Tender Offer will be $1,045. The total consideration per $1,000 principal amount of the 2010 Notes and the 2013 Notes tendered and accepted for purchase pursuant to the SPN Tender Offer will be determined by reference to a specified fixed spread for each of the 2010 Notes and the 2013 Notes over the yield (based on the bid side price) of the U.S. Treasury security specified for each of the 2010 Notes and the 2013 Notes. Each tendering holder will also receive accrued and unpaid interest on its Second Priority Notes up to, but not including, the applicable payment date. The total consideration described in this paragraph includes the Consent Payment described below.

In connection with the SPN Tender Offer, DHI is soliciting consents to (i) certain proposed amendments to the indenture pursuant to which the Second Priority Notes were issued, which would eliminate substantially all of the restrictive covenants, eliminate or modify certain events of default and eliminate or modify related provisions and (ii) the release of certain liens securing the obligations of DHI and the guarantors of the Second Priority Notes under the indenture pursuant to which the Second Priority Notes were issued. DHI is offering to make a cash consent payment of $30 per $1,000 principal amount of Second Priority Notes to holders who validly tender their Second Priority Notes and deliver their consents prior to 5:00 p.m., New York City time, on March 28, 2006 (subject to extension by DHI).

The completion of the SPN Tender Offer is conditioned upon, among other conditions, (i) the receipt of consents from holders of at least two-thirds of the outstanding principal amount of each series of the Second Priority Notes and (ii) DHI s consummation of one or more new debt financings on terms satisfactory to DHI in an aggregate gross principal amount not less than $750 million.

New Long-term Debt

Assuming full participation in the SPN Tender Offer by the holders of the Second Priority Notes, DHI will need to obtain $750 million in additional funds to finance the SPN Tender Offer. Citigroup Global Markets Inc. and JPMorgan Securities Inc. have agreed, pursuant to a Senior Secured Credit Facilities Commitment Letter dated March 6, 2006 (the Commitment Letter), to use their commercially reasonable efforts to assemble a syndicate of lenders to provide us with a senior secured Tranche B term loan facility of up to $750 million (the Tranche B Term Loans) to finance the SPN Tender Offer, subject to the terms and conditions of the Commitment Letter. The Commitment Letter provides that the Tranche B Term Loans would be repayable in quarterly installments of 0.25% for each calendar quarter ending prior to January 31, 2012, and would be repayable in full on that maturity date. To finance the SPN Tender Offer, we will use the Tranche B Term Loans, or pursue other financing arrangements such as the issuance of senior unsecured notes. We refer to the financing of the SPN Tender Offer as the New Long-term Debt.

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Letter of Credit Facility

Pursuant to the Commitment Letter Citigroup Global Markets Inc. and JPMorgan Securities Inc. have also agreed to use their commercially reasonable efforts to assemble a syndicate of lenders to provide us with a term letter of credit facility (the Term L/C Facility) in an aggregate principal amount of up to $200 million to provide for the issuance of letters of credit to be used for general corporate purposes. The Term L/C Facility will have the same maturity date as the Tranche B Term Loans.

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The Offer and Consent Solicitation

The Company	Dynegy Inc.
The Debentures	4.75% Convertible Subordinated Debentures due 2023, of which $225,000,000 aggregate principal amount was outstanding as of March 14, 2006. The Debentures are governed by an Indenture dated as of August 11, 2003, among Dynegy Inc., as issuer, Dynegy Holdings Inc., as guarantor, and Wilmington Trust Company, as trustee (the Indenture).
The Offer	We are offering to convert, upon the terms and subject to the conditions described in this Prospectus and in the accompanying Letter of Transmittal and Consent, any and all outstanding Debentures to shares of our Class A common stock and cash. Holders who validly tender (and do not withdraw) their Debentures for conversion at or prior to 5:00 p.m., New York City time, on April 13, 2006 will receive, for each $1,000 principal amount of Debentures, the following Offer Consideration: 242.6595 shares of Class A common stock issuable upon conversion of the Debentures; a premium of $193.85 payable in cash; and accrued and unpaid interest from February 15, 2006 up to, but not including, the Payment Date, which is expected to be approximately $7.92 payable in cash.
Consent Solicitation	In connection with the Offer, we are also soliciting Consents from Holders to the Proposed Amendments. The Proposed Amendments are proposed amendments to eliminate the cross-default and cross-acceleration provisions contained in the Indenture. Any Holder that tenders Debentures pursuant to this Offer must also deliver a Letter of Transmittal and Consent. Holders may not deliver Consents without tendering Debentures. Holders that validly tender (and do not withdraw) their Debentures pursuant to the Offer will be deemed to have validly delivered their Consents by such tender. A Holder may not revoke a Consent without withdrawing the previously tendered Debentures to which such Consent relates.
Conditions to the Offer and Consent Solicitation	The Offer and Consent Solicitation is subject to specified conditions as set forth in this Prospectus, including, without limitation, that the registration statement of which this Prospectus is a part has been declared effective by the SEC prior to the Expiration Date. We may waive any and all of the conditions to the Offer and Consent Solicitation, other than the registration statement effectiveness condition. Although our acceptance of Debentures for conversion is not subject to any minimum tender condition, the Proposed Amendments will be effective only if we receive valid consents from holders of a majority in aggregate principal amount of the Debentures. See The Offer and Consent Solicitation Conditions to the Offer and Consent Solicitation.

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Purpose of the Offer and Consent Solicitation	We are making this Offer and Consent Solicitation in order to encourage Holders to tender their Debentures for conversion (and to deliver related Consents to the Proposed Amendments) before the expiration of the Offer and Consent Solicitation. We believe that the conversion of the Debentures will improve our capitalization on a consolidated basis by increasing our outstanding equity and reducing our indebtedness.
Accrued and Unpaid Interest	Holders that validly tender (and do not withdraw) their Debentures in the Offer (and deliver related Consents in the Consent Solicitation) will receive a cash payment of accrued and unpaid interest from February 15, 2006 up to, but not including, the Payment Date.
Expiration Date	5:00 p.m., New York City time, on April 13, 2006, or such later time and date to which the Offer is extended by us, unless the Offer is earlier terminated by us. This is the deadline for Holders to tender Debentures pursuant to the Offer and deliver related Consents pursuant to the Consent Solicitation. We may extend the expiration date for any reason in our sole discretion. If we decide to extend the expiration date of the Offer, we will announce any extensions by press release or other permitted means no later than 9:00 a.m., New York City time, on the business day after the scheduled expiration of the Offer. See The Offer and Consent Solicitation Expiration Date.
Payment Date	This date is expected to be a date promptly following the Expiration Date. Payments of the Offer Consideration will be made on this date, subject to the terms and conditions set forth in this Prospectus and the accompanying Letter of Transmittal and Consent.
Termination of the Offer and Consent Solicitation	We reserve the right to terminate the Offer and Consent Solicitation at any time and from time to time prior to the Expiration Date under specified circumstances and, in the case of specified circumstances relating to governmental approvals, up to the Acceptance Date. See The Offer and Consent Solicitation Conditions to the Offer and Consent Solicitation.
Amendment of the Offer and Consent Solicitation	We reserve the right to amend any of the terms of the Offer and Consent Solicitation, provided that we will comply with applicable laws that may require us to extend the Offer as a result of material changes in the terms of the Offer.
Procedure for Tendering Debentures and Delivering Related Consents	If you wish to participate in the Offer and your Debentures are held by a custodial entity, such as a bank, broker, dealer, trust company or other nominee, you must instruct that custodial entity to tender your Debentures on your behalf pursuant to the procedures of that

custodial entity. If your Debentures are registered in your name, you must complete, sign and date the accompanying Letter of Transmittal and Consent, or a facsimile thereof, according to the instructions contained in this Prospectus and the Letter of Transmittal and Consent. You must also mail or otherwise deliver the Letter of Transmittal and Consent, or a facsimile thereof, together with the Debentures and any other required documents, to the conversion agent at its address listed on the back cover page of the Letter of Transmittal and Consent.

Custodial entities that are participants in The Depository Trust Company, or DTC, must tender Debentures through the Automated Tender Offer Program maintained by DTC, known as ATOP, by which the custodial entity and the beneficial owner on whose behalf the custodial entity is acting agree to be bound by the Letter of Transmittal and Consent. **A Letter of Transmittal and Consent need not accompany tenders effected through ATOP.** See The Offer and Consent Solicitation Procedure for Tendering Debentures and Delivering Consents.

Guaranteed Delivery Procedures	Holders who wish to tender their Debentures but cannot deliver their Debentures or any other documents required by the Letter of Transmittal and Consent or any other related document to the conversion agent at or prior to the Expiration Date (or complete the procedure for book-entry transfer on a timely basis) may tender their Debentures according to the guaranteed delivery procedures described in the Letter of Transmittal and Consent. See The Offer and Consent Solicitation Procedure for Tendering Debentures and Delivering Consents.
Withdrawal Rights	Tenders of Debentures may be validly withdrawn at any time at or prior to the Expiration Date. A valid withdrawal of tendered Debentures at or prior to the Expiration Date will constitute the valid revocation of the related Consent. A Holder may not revoke a Consent without withdrawing the previously tendered Debentures to which such Consent relates. In the event of a termination of the Offer, the Debentures previously tendered pursuant to the Offer will be promptly returned to the tendering holders and the related Consents will be revoked, and the Offer Consideration will not be paid or become payable. In addition, tenders may be withdrawn if we have not accepted for payment Debentures tendered for conversion at any time after 12:00 a.m., New York City time, on May 10, 2006. See The Offer and Consent Solicitation Withdrawal of Tendered Debentures and Revocation of Consents.
Use of Proceeds	We will not receive any proceeds from the Offer.

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Federal Income Tax Consequences	Although not free from doubt, U.S. Holders (as defined in this Prospectus) who accept the Offer should recognize interest income on the cash paid in respect of accrued interest on the Debentures to the extent not previously included in income and gain for U.S. federal income tax purposes equal to the lesser of (i) the Premium and (ii) the excess of the fair market value of the Class A common stock (including fractional shares) and the Premium over the beneficial owner s adjusted tax basis in the Debentures tendered in the exchange. Non-U.S. Holders (as defined in this Prospectus), however, who accept the offer generally will not be subject to U.S. federal income tax on gain unless (i) the gain is, or is treated as, effectively connected with the conduct of a trade or business within the United States by the non-U.S. Holder or (ii) in the case of a non-U.S. Holder who is a nonresident alien individual and holds the Debentures as a capital asset, the Holder is present in the United States for 183 or more days in the taxable year and other requirements are met. For Holders who do not accept the Offer, we do not believe the elimination of the cross-default and cross-acceleration provisions in the indenture under which the Debentures were issued would result in a taxable event for U.S. federal income tax purposes. See Material United States Federal Income Tax Consequences.
Market Price and Trading	On March 14, 2006, the closing price for our Class A common stock on the NYSE was $4.94 per share. The Debentures are not currently traded on any national securities exchange.
Dealer Manager	Citigroup Global Markets Inc. is the dealer manager for the Offer and Consent Solicitation. Its address and telephone numbers are located on the back cover of this Prospectus.
Conversion Agent	Wilmington Trust Company is the conversion agent for the Offer and Consent Solicitation. Its address and telephone numbers are located on the back cover of this Prospectus.
Information Agent	Global Bondholder Services Corporation is the information agent for the Offer and Consent Solicitation. Its address and telephone numbers are located on the back cover of this Prospectus.
Fees and Expenses	We will pay all fees and expenses that we incur in connection with the Offer and Consent Solicitation. See Fees and Expenses.
Regulatory Approvals	We may not complete the Offer until the registration statement of which this Prospectus is a part is declared effective by the SEC. We are not aware of any other material regulatory approvals necessary to complete the Offer, other than the obligation to file a Schedule TO with the SEC and otherwise comply with applicable securities laws.
No Appraisal Rights	Holders who do not tender their Debentures pursuant to the Offer will have no appraisal rights under applicable state law or otherwise.

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Questions	Any questions regarding the Offer and Consent Solicitation, including the procedure for tendering Debentures and delivering related Consents, should be directed to the information agent or the dealer manager at the addresses and telephone numbers located on the back cover of this Prospectus. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees through which they hold Debentures with questions and requests for assistance.
Proposed Amendments	Currently, if (a) we default under any of our indebtedness (or if DHI or any of our other significant subsidiaries defaults under a guarantee of that indebtedness) because we fail to pay principal, interest or premiums under that indebtedness, or (b) any of our indebtedness (including guarantees of that indebtedness by DHI and any of our other significant subsidiaries) is accelerated, then an event of default under the Indenture will occur if that total indebtedness equals or exceeds $50 million in aggregate principal amount and the applicable default and/or acceleration is not remedied or waived before the acceleration of the Debentures under the terms of the Indenture. In connection with the Offer, we are soliciting Consents from Holders to amend the Indenture to eliminate this event of default. See The Offer and Consent Solicitation The Proposed Amendments.

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Summary Historical and Unaudited Pro Forma Financial Data

The following summary historical financial data as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 have been derived from our historical consolidated financial statements incorporated by reference in this Prospectus. The following summary historical financial data as of December 31, 2003 have been derived from our historical consolidated financial statements which are not included in, or incorporated by reference in, this Prospectus. The following unaudited pro forma statement of operations data give effect to the Offer (assuming full participation), the New Long-term Debt, the Term L/C Facility, the SPN Tender Offer (assuming full participation), the Cash Collateral Return and the Sterlington Payment, in each case as if it had been consummated on January 1, 2005. The following unaudited pro forma balance sheet data give effect to the Offer (assuming full participation), the New Long-term Debt, the Term L/C Facility, the SPN Tender Offer (assuming full participation), the Cash Collateral Return and the Sterlington Payment in each case as if it had been consummated on December 31, 2005. The pro forma information is based on historical data and is not necessarily indicative of future results.

The summary historical financial data and unaudited pro forma financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 incorporated by reference in this Prospectus. The unaudited pro forma financial data set forth below should also be read in conjunction with Unaudited Pro Forma Condensed Consolidated Financial Data beginning on page 36. Historical results are not necessarily indicative of results that may be expected for any future period. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 includes a restatement of our consolidated balance sheet and our consolidated statement of stockholders equity as of December 31, 2004 and periods prior to 2004. This restatement is reflected in all periods presented in this Prospectus.

	Year Ended December 31,			Pro Forma Year Ended
	2003	2004	2005	December 31, 2005
				(unaudited)
	(Dollars in millions)			
Statement of Operations Data:				
Revenues	$ 2,599	$ 2,451	$ 2,313	$ 2,313
Depreciation and amortization expense	(373)	(235)	(220)	(220)
Goodwill impairment	(311)			
Impairment and other charges	(225)	(78)	(46)	(46)
General and administrative expenses	(315)	(330)	(468)	(468)
Operating loss	(769)	(100)	(838)	(838)
Interest expense	(503)	(453)	(389)	(301)
Income tax benefit	296	172	395	445
Loss from continuing operations	(813)	(180)	(804)	(907)
Basic earnings (loss) per share from continuing operations	$ 0.53	$ (0.53)	$ (2.13)	$ (2.10)
Diluted earnings (loss) per share from continuing operations	$ 0.50	$ (0.53)	$ (2.13)	$ (2.10)
Weighted average shares outstanding for basic EPS calculation	374	378	387	442
Weighted average shares outstanding for diluted EPS calculation	423	504	513	513
Cash dividends per common share	$	$	$	$
Ratio of earnings to fixed charges	(a)	(a)	(a)	(a)

(a) For the years ended December 31, 2003, 2004 and 2005, earnings were insufficient to cover fixed charges by $1,337 million, $446 million, and $1,153 million, respectively. For the pro forma year ended December 31, 2005, earnings were insufficient to cover fixed charges by $1,306 million.

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	December 31,			Pro Forma
	2003	2004	2005	December 31, 2005
				(unaudited)
	(Dollars in millions)			
Balance Sheet Data:				
Current assets	$ 3,074	$ 2,728	$ 3,706	$ 2,063
Current liabilities	2,450	1,802	2,116	1,746
Property and equipment, net	8,178	6,130	5,323	5,323
Total assets	12,801	9,843	10,126	8,667
Long-term debt (excluding current portion)	5,893	4,332	4,228	3,199
Notes payable and current portion of long-term debt	331	34	71	71
Total stockholders equity	1,975	1,956	2,153	2,186
Book value per basic share outstanding (1)	$ 5.24	$ 5.12	$ 5.36	$ 5.44

(1) Basic shares outstanding at December 31, 2003, 2004 and 2005 are 377 million, 382 million and 402 million, respectively.

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RISK FACTORS

In deciding whether to tender your Debentures pursuant to the Offer and to deliver related Consents pursuant to the Consent Solicitation, we urge you to read this Prospectus and the documents incorporated by reference into this Prospectus carefully. See Where You Can Find More Information. You should also consider the risk factors described below.

Risks Related to the Offer

If you do not convert your Debentures pursuant to the Offer, Debentures you retain may become less liquid as a result of the consummation of the Offer.

If a significant percentage of the Debentures is converted in the Offer, the liquidity of the trading market for the Debentures, if any, after the completion of the Offer may be substantially reduced. Any Debentures converted will reduce the aggregate number of Debentures outstanding. As a result, the Debentures may trade at a discount to the price at which they would trade if the transactions contemplated by this Prospectus were not consummated, subject to prevailing interest rates, the market for similar securities and other factors. The smaller outstanding aggregate principal amount of the Debentures may also make the trading prices of the Debentures more volatile. We cannot assure you that an active market in the Debentures will exist or be maintained and we cannot assure you as to the prices at which the Debentures may trade if the Offer is consummated.

Because the number of shares of Class A common stock that you receive in the Offer is fixed, the value of the shares of Class A common stock at the time you receive them could be less than their value at the time you tender your Debentures.

In the Offer, each $1,000 principal amount of Debentures will be converted to 242.6595 shares of Class A common stock (in addition to a cash premium and accrued and unpaid interest on such amount as described in this Prospectus). This is a fixed ratio. The Offer does not provide for an adjustment in the conversion ratio even if there is an increase or decrease in the trading price of our Class A common stock between the date of this Prospectus and the Expiration Date. The trading price of our Class A common stock will likely be different on the Expiration Date than it is as of the date of this Prospectus and could decline because of ordinary trading fluctuations as well as changes in our business, operations and prospects, market reactions to the Offer and Consent Solicitation, general market economic conditions and other factors.

Upon consummation of the Offer, Holders who validly tender (and do not withdraw) their Debentures pursuant to the Offer will lose their rights under the Debentures, including their rights to future interest and principal payments with respect to their Debentures and their rights as our creditors.

If you validly tender (and do not withdraw) your Debentures pursuant to the Offer, you will be giving up all of your rights as a Holder, including, without limitation, rights to future payment of principal and interest on the Debentures, and you will cease to be a creditor of Dynegy. The Class A common stock that you may receive in the Offer will be junior in right of payment to claims of Dynegy s creditors (including holders of Debentures) and preferred stockholders. If we were to file for bankruptcy, Holders would generally be entitled to be paid prior to holders of Class A common stock. As a holder of Class A common stock, your investment will be subject to debt claims against us and to all of the risks and liabilities affecting our, and our operating subsidiaries , operations. The trading price of our Class A common stock could decline as a result of various factors, including our results of operations, financial condition and business prospects.

Our Board of Directors is not making a recommendation as to whether you should tender your Debentures for conversion or deliver Consents pursuant to the Offer and Consent Solicitation, and we have not obtained a third-party determination that the Offer is fair to Holders.

Our Board of Directors is not making a recommendation as to whether you should convert your Debentures pursuant to the Offer or deliver Consents pursuant to the Consent Solicitation. We have not obtained a third-party

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determination that the Offer is fair to Holders. We have not retained and do not intend to retain any unaffiliated representative to act solely on behalf of the Holders for purposes of negotiating the terms of the Offer or preparing a report concerning the fairness of the Offer.

If the Consent Solicitation is successful and we consummate the Offer, Holders who continue to hold their Debentures will not have the benefit of certain default provisions currently included in the Indenture.

Currently, if (a) we default under any of our indebtedness (or if DHI or any of our other significant subsidiaries defaults under a guarantee of that indebtedness) because we fail to pay principal, interest or premiums under that indebtedness, or (b) any of our indebtedness (including guarantees of that indebtedness by DHI and any of our other significant subsidiaries) is accelerated, then an event of default under the Indenture will occur if that total indebtedness equals or exceeds $50 million in aggregate principal amount and the applicable default and/or acceleration is not remedied or waived before the acceleration of the Debentures under the terms of the Indenture. In connection with the Offer, we are soliciting Consents from Holders to amend the Indenture to eliminate this event of default. Holders who validly tender (and do not withdraw) their Debentures in the Offer will be deemed to have delivered their Consents to the Proposed Amendments. If Holders representing at least a majority in principal amount of the Debentures outstanding tender their Debentures and related Consents, the Proposed Amendments will be approved. If the Proposed Amendments are approved, and a supplemental indenture is executed by us and the trustee under the Indenture to evidence such amendments, continuing Holders will be bound by the amended Indenture even if such Holders did not give their consents and will not have the benefit of the Indenture provision eliminated by the amendments.

Risks Related to Our Business

Future changes in commodity prices may materially adversely impact our financial condition, results of operations and cash flows.

The price we can obtain for the sale of power may not rise at the same rate, or may not rise at all, to match a rise in fuel costs. Our profitability depends in large part on the difference between the price of power and the price of fuel used to generate power, or spark spread. Prices for both electricity and fuel have been very volatile in the past year and the prices for electricity, coal, natural gas and fuel oil are significantly higher than they were two years ago. Changes in market prices for natural gas, coal and fuel oil may result from many factors, including the following:

- weather conditions, including deviations from average temperatures and major weather events, such as hurricanes;
- seasonality;
- demand for energy commodities and general economic conditions, including the demand for fuel;
- disruption of electricity, gas or coal transmission or transportation, storage, infrastructure or other constraints or inefficiencies;
- the addition of new generating capacity or the retirement of existing generating capacity, or the temporary unavailability of generating capacity for maintenance and other reasons;

availability of competitively priced alternative energy sources;

availability and levels of storage and inventory for fuel stocks;

natural gas, crude oil, refined products and coal production levels;

the creditworthiness or bankruptcy or other financial distress of market participants;

changes in market liquidity;

natural disasters, wars, embargoes, acts of terrorism and other catastrophic events; and

federal, state and foreign governmental regulation and legislation including regulatory-imposed price caps.

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Adverse changes in market prices for fuel, and a resulting negative impact on market prices for power, could materially adversely impact our financial condition, results of operations and cash flows.

Because our power generation facilities operate mostly without long-term power sales agreements and because wholesale power prices are subject to significant volatility, our revenues and profitability are subject to significant fluctuations.

Most of our facilities operate as merchant facilities without long-term sales agreements. Without long-term power agreements, we cannot be sure that we will be able to sell any or all of the electric energy, capacity or ancillary services from our facilities at commercially attractive rates or that our facilities will be able to operate profitably. This could lead to decreased financial results as well as future impairments of our property, plant and equipment or to the retirement of certain of our facilities resulting in economic losses and liabilities.

Because we largely sell electric energy, capacity and ancillary services into the wholesale energy spot market or into other power markets on a short-term basis, we are not guaranteed any rate of return on our capital investments. Rather, our financial condition, results of operations and cash flows are likely to depend, in large part, upon prevailing market prices for power and the fuel to generate such power. Wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable.

Given the volatility of power commodity prices, to the extent we do not secure long-term sales agreements for the output of our power generation facilities, our revenues and profitability will be subject to increased volatility, and our financial condition, results of operations and cash flows could be materially adversely affected.

Because we generally do not hedge our long-term exposure to commodity price risks, we are vulnerable to decreases in power prices and increases in the price of natural gas, coal and fuel oil. To the extent we do engage in hedging activities, our models representing the market may be inaccurate.

We generally do not hedge our long-term exposure to commodity price risks. To the extent we are unable to mitigate our exposure to a diminishing spark spread, our financial condition, results of operations and cash flows may be materially adversely affected. In those instances where we do implement a hedging strategy, our internal models may not accurately represent the markets in which we participate, potentially causing us to make less favorable decisions.

Unauthorized hedging and related activities by our employees could result in significant losses.

Although we are exiting the customer risk management business and have adopted a strategy of entering into only limited hedges of our generation output, we continue to enter into some primarily short-term hedging and other risk management transactions relating to our physical production. We have adopted various internal policies and procedures designed to monitor these activities and positions to ensure that we maintain an overall position that is substantially balanced between our physical assets as compared to our purchase and sales commitments. These policies and procedures are designed, in part, to prevent unauthorized purchases or sales of products by our employees. We cannot assure, however, that these steps will detect and prevent all violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

We are exposed to the risk of fuel and fuel transportation cost increases and interruptions in fuel supplies because some of our facilities do not have long-term coal, natural gas, or liquid fuel supply agreements.

Many of our power generation facilities purchase their fuel requirements under short-term contracts or on the spot market. Although we attempt to purchase fuel based on our known fuel requirements, we still face the risks of supply interruptions and fuel price volatility as fuel deliveries may not exactly match that required for energy sales, due in part to our need to pre-purchase fuel inventories for reliability and dispatch requirements.

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Operation of many of our coal-fired generation facilities is highly dependent on our ability to procure coal. Power generators in the Midwest and the Northeast have experienced significant pressures on available coal supplies that are either transportation or supply related. While we believe our physical inventories and contractual commitments provide us with a stable coal supply, we are subject to physical delivery risks outside of our control. If we are unable to procure fuel for physical delivery at prices we consider favorable, our financial condition, results of operations and cash flows could be materially adversely affected.

Availability and cost of emission credits could materially impact our costs of operations.

In the ordinary course of operating our power generating facilities, we maintain, either by allocation or purchase, sufficient emission credits to support our operations. We use these credits to comply with emission caps imposed by various environmental laws under which we must operate. As individual credits are used, costs are recognized as operating expense. If we are unable to purchase sufficient emission credits to match our operational needs, we may have to curtail our operations such that we do not exceed our permitted emission caps. If such credits are available for purchase, but only at significantly higher prices, the purchase of such credits could materially increase our costs of operations in the affected markets.

Competition in wholesale power markets, together with an oversupply of power generation capacity, may have a material adverse effect on our financial condition, results of operations and cash flows.

We have numerous competitors and additional competitors may enter the industry. Our power generation business competes with other non-utility generators, as well as regulated utilities, unregulated subsidiaries of regulated utilities and other energy service companies in the sale of energy, as well as in the procurement of fuel, transmission services and transportation services. Aggregate demand for power may be met by generation capacity based on several competing technologies, such as gas-fired, coal-fired or nuclear generation, as well as power generating facilities fueled by alternative or renewable energy sources, including hydroelectric power, synthetic fuels, solar, wind, wood, geothermal, waste heat and solid waste sources. Regulatory initiatives designed to enhance renewable generation could increase competition from these types of facilities.

Although demand for electric capacity and energy generally has been increasing throughout the United States, a buildup of new electric generation facilities in recent years has resulted in an overabundance of power generation capacity in the regional markets we serve.

We also compete against other energy merchants on the basis of our relative operating skills, financial position and access to credit sources. Energy customers, wholesale energy suppliers and transporters often seek financial guarantees, credit support such as letters of credit, and other assurances that their energy contracts will be satisfied. Companies with which we compete may have greater resources in these areas. In addition, many of our current facilities are relatively old. Newer vintage plants owned by competitors are often more efficient than some of our plants, which may put some of our plants at a competitive disadvantage. Over time, some of our plants may become obsolete in their markets, or be unable to compete, because of the construction of new, more efficient plants.

Other factors may contribute to increased competition in wholesale power markets. New forms of capital and competitors have entered the industry in the last several years, including financial investors who perceive that asset values are at levels below their true replacement value. A number of generation facilities in the United States are now in the hands of lenders and investment companies. Furthermore, there have been several important mergers and asset reallocations in the industry, which could create powerful new competitors. Under any scenario, we anticipate that we will continue to face competition from numerous companies in the industry some of which have superior capital structures. Many companies in the regulated utility industry, with which the wholesale power industry is closely linked, are also restructuring or reviewing

their strategies. Several of those companies are discontinuing their unregulated activities, seeking to divest their unregulated subsidiaries or attempting to have their regulated subsidiaries acquire assets out of their or other companies unregulated

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subsidiaries. This may lead to increased competition between the regulated utilities and the unregulated power producers within certain markets. The future of the wholesale power generation industry is unpredictable, but may include restructuring and consolidation within the industry, the sale, bankruptcy or liquidation of certain competitors, the re-regulation of certain markets or a long-term reduction in new investment into the industry. To the extent that competition increases, our financial condition, results of operations and cash flows may be materially adversely affected.

We anticipate that FERC will continue its efforts to facilitate the competitive energy marketplace throughout the country on several fronts but particularly by encouraging utilities to voluntarily participate in RTOs and ISOs, while state regulators will pursue their own initiatives. FERC is also reviewing ways in which it can encourage investment in transmission facilities and reform the rules and regulations governing access to the transmission grid, all of which could increase the number of competitors serving a given market. FERC s regulation of wholesale markets, including changes in the manner in which transmission rates are calculated, also could affect our competitive posture. These regulatory initiatives may include significant revisions to existing regulation of the electric utility industry or selected products and services in some markets. Industry deregulation and privatization may not only continue to facilitate the current trend toward consolidation in the utility industry but also may encourage disaggregation of other vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, our industry may be restructured with new kinds of specialized companies competing with us. We may not be able to respond in a timely or effective manner to the many changes in the power industry that may occur as a result of regulatory initiatives to increase competition. We are not able to predict future changes in regulation or the effect of any such changes on the general electricity market or our financial condition, results of operations and cash flows.

If we fail to implement our business strategy, our financial condition, results of operations and cash flows could be materially adversely affected.

Our future financial condition, results of operations and cash flows will depend in large part upon our ability to successfully implement our business strategy. Implementation of our business strategy could be affected by a number of factors beyond our control, such as increased competition, legal and regulatory developments, general economic conditions and energy price volatility in either electricity or fuel markets. As a result, we cannot be sure that we will be able to successfully implement our business strategy. In particular, we cannot be sure that we will be able to identify and pursue growth opportunities. Our ability to achieve our growth objectives and to effectively manage our growth will depend on a number of factors, including:

- our liquidity, including any collateral posting requirements to which we are subject, and our ability to attract capital and financing on acceptable terms;
- our ability to identify and pursue appropriate opportunities for growth; and
- our ability to integrate any new businesses into our operations and take advantage of potential synergies.

Any failure to successfully implement our business strategy could materially adversely affect our financial condition, results of operations and cash flows. We may, in addition, decide to alter or discontinue certain aspects of our business strategy from time to time due to our success or failure in the marketplace.

The regional concentration of our business in the Midwest may increase the effects of adverse trends in that market.

A substantial portion of our business is located in the Midwest region of the United States. Changes in economic conditions in this market, including changing demographics, or oversupply of or reduced demand for power, could have a material adverse effect on our financial condition, results of operations and cash flows. A substantial portion of our net income is derived from our Baldwin facility. Any disruption of production at that facility could have a material adverse effect on our financial condition, results of operations and cash flows.

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Under the terms of our current power purchase agreement with AmerenIP, which expires at the end of 2006, our Midwest coal plants are partially contracted to AmerenIP at a fixed price per megawatt hour. Beyond 2006, our results in the Midwest will be exposed to volatility in market prices, which could cause us to realize losses in a weak power price environment. For the year ended December 31, 2005, approximately 20% of our consolidated revenues were derived from transactions with AmerenIP.

We do not own, control or set the rates for the transmission facilities we use to deliver energy, capacity and ancillary services to our customers. Transmission capacity may not be available to us, the total costs of transmission may exceed our projections or cause us to forego transactions, and changes in the transmission grid could reduce our revenues.

We do not own or control the transmission facilities required to sell the wholesale power from our generation facilities. Furthermore, the rates for such transmission capacity are set by others and the market and thus are subject to changes, some of which could be significant. Transmission may not be available to support our contracted and short-term transactions, or the costs of such transmission may reduce our profits or make certain transactions unprofitable. Furthermore, changes in the transmission infrastructure within or connecting individual markets could reduce prices in those markets by increasing the amount of generating capacity competing to serve the same markets.

Our results of operations fluctuate on a seasonal and quarterly basis due to weather conditions.

We have historically sold less power and received lower prices for our products, and consequently earned less income, when weather conditions are milder. We expect that unusually mild weather in the future could diminish our results of operations and impair our financial condition. Weather conditions can affect both the prices we pay for fuel and the prices we receive for capacity, energy and other services, potentially increasing the volatility of our results of operations.

An event of loss and certain other events relating to our Dynegy Northeast Generation facilities could trigger a substantial obligation that would be difficult for us to satisfy.

We acquired the Dynegy Northeast Generation, or DNE, power generating facilities in January 2001 for $950 million. In May 2001, we entered into an asset-backed sale-leaseback transaction relating to these facilities to provide us with long-term acquisition financing. In this transaction, we sold for approximately $920 million four of six generating units comprising these facilities to Danskammer OL LLC and Roseton OL LLC, and we concurrently agreed to lease them back from these entities. We have no option to purchase the leased facilities at Roseton or Danskammer at the end of their lease terms, which end in 2035 and 2031, respectively. If one or more of the leases were to be terminated prior to the end of its term because of an event of loss, because it becomes illegal for the applicable lessee to comply with the lease, or because a change in law makes the facility economically or technologically obsolete, we would be required to make a termination payment in an amount sufficient to redeem the pass-through trust certificates related to the unit or facility for which the lease is terminated. As of December 31, 2005, the termination payment would be approximately $1 billion for all of our DNE facilities. If a termination of this type were to occur with respect to all of the DNE facilities, it could be difficult for us to raise sufficient funds to make this termination payment and therefore could have a material adverse effect on our financial condition, results of operations and cash flows.

Refurbishment and operation of power generation facilities involve significant risks that cannot always be covered by insurance or contractual protections and could have a material adverse effect on our financial condition, results of operations and cash flows.

We are exposed to risks related to breakdown or failure of equipment and processes, shortages of equipment and supply of material and labor, and operating performance below expected levels of output or efficiency. Older equipment, even if maintained in accordance with good engineering practices, may require significant capital

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expenditures to keep it operating at optimum efficiency. This equipment is also likely to require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditures could result in reduced profitability. In addition, if we make any major modifications to our power generation facilities, as defined under the new source review provisions of the federal Clean Air Act, we may be required to install best available control technology or to achieve the lowest achievable emissions rate. Any such modifications would likely result in substantial additional capital expenditures.

In addition, at some point, older facilities may need to be retired or decommissioned. The costs of decommissioning can be affected by future changes in law and regulations, as well as deviations from the expected physical state of such facilities. Therefore, we cannot be certain that we have adequately predicted, or reserved for, the full costs of any such retirements or decommissionings.

We cannot predict the level of capital expenditures that will be required due to changes in applicable reliability requirements, deteriorating facility conditions and unexpected events (such as natural disasters or terrorist attacks). The unexpected requirement of large capital expenditures could have a material adverse effect on our financial condition, results of operations and cash flows. Further, construction, expansion, modification and refurbishment of power generation facilities may interrupt production at our facilities or result in unanticipated cost overruns and may be impacted by factors outside our control, including:

- supply interruptions;
- work stoppages;
- labor disputes;
- weather interferences; and
- unforeseen engineering, environmental and geological problems.

Our operations are subject to hazards customary to the power generation industry. We may not have adequate insurance or adequate contractual indemnities to cover all of these hazards.

We are subject to all risks inherent in the power generation industry. These risks include, but are not limited to, equipment breakdowns or malfunctions, explosions, fires, terrorist attacks, product spillage, weather, nature, and inadequate maintenance of rights-of-way, which could result in damage to or destruction of operating assets and other property, or could result in personal injury, loss of life or pollution of the environment, as well as curtailment or suspension of operations at the affected facility. We maintain general public liability, property/boiler and machinery and business interruption insurance in amounts that we consider to be appropriate for such risks. Such insurance is subject to deductibles and caps that we consider reasonable and not excessive given the current insurance market environment. Costs associated with these insurance coverages have increased significantly during recent periods and may continue to do so in the future. Occurrence of a significant event not fully insured or otherwise indemnified against by a third party, or the failure of a party to meet its indemnification obligations, could materially adversely affect our financial condition, results of operations and cash flows. While we currently maintain levels and types of insurance that we believe to be prudent under current insurance industry market conditions, our potential inability to maintain or secure these levels and types of insurance in the future could have a material adverse effect on our financial condition, results of operations and cash flows if an uninsured loss were to occur. No assurance can be given that we will be able to secure or maintain these levels of insurance in the future at rates we consider commercially reasonable.

Our business is subject to complex government regulation. Changes in these regulations or in their implementation may affect the costs of operating our facilities or our ability to operate our facilities, which may negatively impact our results of operations.

We are subject to extensive federal, state and local laws and regulations governing the generation and sale of energy commodities, as well as the discharge of materials into the environment and otherwise relating to the

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environment, health and safety protection. Compliance with these laws and regulations requires general and administrative expenses (including legal representation before agencies) and monitoring, capital and operating expenditures, including those related to pollution control equipment, emission fees, remediation obligations and permitting at various operating facilities. Furthermore, these regulations are subject to change at any time, and we cannot predict what changes may occur in the future or how such changes might affect any facet of our business.

FERC has issued a series of rules and proposed rules to implement provisions of the Energy Policy Act of 2005 which affect the electric and natural gas industries. These rules and proposed rules include changes in FERC s review of mergers in the electricity sector, new provisions governing reliability in the electric sector, increased civil and criminal penalties for violations of relevant statutes and regulations and new regulations defining prohibited behavior and practices. FERC is also reviewing ways in which it can encourage investment in the transmission grid, changes in the rules governing access to that grid, and the operations of wholesale markets generally. These changes, combined with the repeal of the Public Utility Holding Company Act of 1935, will create further regulatory uncertainty.

Our costs for compliance with environmental laws are significant, and costs for compliance with new environmental laws could adversely affect our financial condition, results of operations and cash flows.

Our business is subject to extensive and frequently changing environmental regulation by federal, state and local authorities. Such environmental regulation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Existing environmental laws and regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions. Proposals currently under consideration, such as pending state and federal EPA regulatory proposals to regulate mercury emissions under Section 112 of the Clean Air Act or bills pending in Congress which would limit emissions of carbon dioxide and other so-called greenhouse gases, could, if and when adopted or enacted, require us to make substantial new capital and operating expenditures. If any of these events occur, our business, operations and financial condition could be materially adversely affected.

Many environmental laws require approvals or permits from governmental authorities before construction or modification of a project may commence or before wastes or other materials may be discharged into the environment. The process for obtaining necessary permits can be lengthy and complex and can sometimes result in the establishment of permit conditions that make the project or activity for which the permit was sought either unprofitable or otherwise unattractive. Even where permits are not required, compliance with environmental laws and regulations can require significant capital and operating expenditures. We are required to comply with numerous environmental laws and regulations, and to obtain numerous governmental permits when we are constructing, modifying and operating our facilities. Certain of our facilities, including our Baldwin facility, are also required to comply with the terms of consent decrees or other governmental orders. A consent decree relating to violations of the Clear Air Act at our Baldwin facility was approved by the court on May 27, 2005. This consent decree requires us to install, among other things, additional emission controls at our Baldwin, Vermilion and Havana plants. Thus, we expect to incur significant additional costs to comply with these requirements in the future. If we fail to comply with these requirements, we could be subject to civil or criminal liability and fines or could be forced to curtail or cease operations. In addition, we may be required to incur costs to remediate contamination from past releases of hazardous substances or wastes into the environment in connection with currently or previously owned or operated properties and any other properties at which we have generated, stored, disposed, treated or arranged for disposal of hazardous substances. Failure to comply with these statutes, rules and regulations may result in the assessment of administrative, civil and even criminal penalties. Furthermore, the failure to obtain or renew an environmental permit could prevent operation of one or more of our facilities. Existing regulations may be revised or reinterpreted and new laws and regulations may be

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adopted or become applicable to us or our facilities in a manner that may have a detrimental effect on our business. With the continuing trend toward stricter standards, greater regulation and more extensive permitting requirements, we expect that our capital and operating environmental expenditures will continue to be substantial and may increase in the future. We may not be able to obtain or maintain from time to time all required environmental regulatory permits or other approvals that we need to operate our business. If there is a delay in obtaining any required environmental regulatory approvals or permits or if we fail to obtain and comply with them, the operation of our facilities may be interrupted or become subject to additional costs.

The emission of certain substances is subject to licensing programs, which allow the trading of licenses under certain conditions. The costs of buying any necessary licenses could vary and have a material adverse effect on our financial condition, results of operations and cash flows.

Different regional power markets in which we compete or may compete in the future have changing transmission regulatory structures, which could materially adversely affect our performance in these regions.

Our financial condition, results of operations and cash flows are likely to be affected by differences in market and transmission regulatory structures in various regional power markets. Problems or delays that may arise in the formation and operation of new or maturing RTOs and similar market structures, or changes in geographic scope, rules or market operations of existing RTOs, may affect our ability to sell, the prices we receive, or the cost to transmit power produced by our generating facilities. Rules governing the various regional power markets may also change from time to time which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, or how RTOs will develop or what regions they will cover, we are unable to assess fully the impact that these uncertainties may have on our business.

Acts of terrorism could have a material adverse effect on our financial condition, results of operations and cash flows.

Our generation facilities and the facilities of third parties on which they rely may be targets of terrorist activities, as well as events occurring in response to or in connection with such activities, that could result in full or partial disruption of the ability to generate, transmit or transport electricity or natural gas and/or cause environmental repercussions. Strategic targets, such as energy-related facilities, may be at greater risk of future terrorist activities than other domestic targets. Any such disruptions or environmental repercussions, if not covered by insurance, could result in a significant decrease in revenues or significant reconstruction or remediation costs, which could have a material adverse effect on our financial condition, results of operations and cash flows.

In the wake of the September 11, 2001 terrorist attacks on the United States, the Coast Guard has developed a security guidance document for marine terminals and has issued a security circular that defines appropriate countermeasures for protecting them and explains how the Coast Guard plans to verify that operators have taken appropriate action to implement satisfactory security procedures and plans. Using the guidelines provided by the Coast Guard, we have specifically identified our Havana, Danskammer and Roseton facilities as marine terminals and therefore potential terrorist targets. In compliance with the Coast Guard guidance, we performed vulnerability analyses on such facilities. Future analyses of our security measures may result in additional measures and procedures, which measures or procedures have the potential for increasing our costs of doing business. Regardless of the steps taken to increase security, however, we cannot be assured that these or other of our facilities will not become the subject of a terrorist attack.

Our financial condition, results of operations and cash flows could be adversely impacted by strikes or work stoppages by our unionized employees.

As of December 31, 2005, approximately 63% of the employees at Dynegy-operated facilities were subject to collective bargaining agreements with various unions that expire in 2007 and 2008. In the event that our union

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employees strike, participate in a work stoppage or slowdown or engage in other forms of labor strife or disruption, we would be responsible for procuring replacement labor or we could experience reduced power generation or outages. Our ability to procure such labor is uncertain. Strikes and work stoppages or our inability to negotiate future collective bargaining agreements on favorable terms could have a material adverse effect on our financial condition, results of operations and cash flows.

We reported a material weakness in our internal control over financial reporting that, if not remedied, could adversely affect our internal controls.

In connection with management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, management concluded that, as of December 31, 2005, we did not maintain effective internal control over our financial reporting due to a material weakness in our processes, procedures and controls related to the preparation, analysis and recording of the income tax provision. Our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 was audited by PricewaterhouseCoopers LLP, which expressed an unqualified opinion on management s assessment and an adverse opinion on the effectiveness of our internal control over financial reporting as of December 31, 2005.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements would not be prevented or detected. We previously reported in our 2004 Form 10-K that we did not maintain effective internal control over financial reporting as of December 31, 2004 due to the same material weakness discussed above. During 2005, actions were taken to remediate the material weakness reported in our 2004 Form 10-K. Despite these efforts, when making management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, we determined that those controls were still not operating effectively.

This control deficiency resulted in the restatement of our 2004 and 2003 annual consolidated financial statements, as well as year-end audit adjustments to the 2005 income tax provision. Further, this control deficiency could have resulted in a misstatement of the income tax provision and related deferred tax accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

We have taken steps to remediate the material weakness, and plan to take additional steps during 2006. Although we believe we have addressed the material weakness with the remedial measures we have implemented and plan to implement, the measures we have taken to date and any future measures may not remediate the material weakness reported and we may not be able to implement and maintain effective internal control over financial reporting in the future. In addition, additional deficiencies in our internal controls may be discovered in the future. Any failure to remediate the reported material weakness or to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure also could affect the ability of our management to certify that our internal controls are effective when it provides an assessment of our internal control over financial reporting, and could affect the results of our independent registered public accounting firm s attestation report regarding our management s assessment. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

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Risks Related to Investing in Our Common Stock

Our stock price has been volatile historically and may continue to be volatile. The price of our Class A common stock may fluctuate significantly, which may make it difficult for tendering Holders to resell the shares of our Class A common stock they receive upon conversion of the Debentures when desired or at attractive prices.

The trading price of our Class A common stock has been and may continue to be subject to wide fluctuations. The closing sale prices of our Class A common stock on the NYSE during 2006 (through March 14, 2006) has ranged from $4.53 to $5.81 per share and during 2005 ranged from $3.21 to $5.70 per share. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating or financial results, actions by various regulatory agencies, litigation, market perceptions of our financial reporting, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, news reports relating to us or trends in our industry or general economic conditions. This stock price volatility may make it difficult for tendering holders to resell the shares of our Class A common stock they receive upon conversion of the Debentures when desired or at attractive prices.

Provisions of the Illinois Business Corporation Act and our organizational documents may discourage an acquisition of us.

Our organizational documents and the Illinois Business Corporation Act, which we refer to as the IBCA, both contain provisions that will impede the removal of our directors and may discourage a third party from making a proposal to acquire us. For example, our board may, without the consent of our stockholders, issue preferred stock with greater voting rights than our Class A common stock. The existence of these provisions may also have a negative impact on the price of our Class A common stock. See Description of Capital Stock Anti-Takeover Effects of Illinois Law for greater detail on the anti-takeover effects of the IBCA.

We have significant debt that could negatively impact our business.

Dynegy has and will continue to have a significant amount of debt outstanding. As of December 31, 2005, we had total consolidated debt (including lease obligations) of $5.2 billion, which consisted of the second priority senior secured notes and other debt, including other secured and unsecured facilities and certain operating leases of our subsidiaries. Our significant level of debt could:

- make it difficult to satisfy our financial obligations, including debt service requirements;
- limit our ability to obtain additional financing to operate our business;
- limit our financial flexibility in planning for and reacting to business and industry changes;
- impact the evaluation of our creditworthiness by counterparties to commercial agreements and affect the level of collateral we are required to post under such agreements;

- place us at a competitive disadvantage compared to less leveraged companies;

- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates and volatility in commodity prices; and

- require us to dedicate a substantial portion of our cash flows to payments on our debt, thereby reducing the availability of our cash flow for other purposes including our operations, capital expenditures and future business opportunities.

Furthermore, we may incur additional indebtedness in the future. If new debt is added to our current debt levels and those of our subsidiaries, the related risks that we and they face could increase significantly. Although we expect that the refinancing activity we are currently undertaking, including the Offer, will reduce our total consolidated debt, we cannot assure you that any such reduction will occur. Even if our refinancing activity is successful, we will remain highly leveraged.

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We expect that our non-investment grade status will continue to adversely affect our financial condition, results of operations and cash flows.

Our credit ratings are currently below investment grade and could be downgraded further. Our current non-investment grade ratings increase our borrowing costs, both by increasing the actual interest rates we are required to pay under any existing indebtedness and any debt in the capital markets that we are able to issue. Our credit ratings also require us to either prepay or post significant amounts of collateral in the form of cash and letters of credit to support our business. We cannot be sure that our credit ratings will improve, or that they will not decline, in the future.

Additionally, our non-investment grade status limits our ability to refinance our debt obligations and to access the capital markets. Should our ratings continue at their current levels, or should our ratings be further downgraded, we would expect these negative effects to continue and, in the case of a downgrade, become more pronounced.

The terms of our debt may severely limit our ability to plan for or respond to changes in our businesses.

The terms of our Senior Secured Credit Facility and our Second Priority Notes, and any New Long-term Debt we may enter into in connection with the financing of the SPN Tender Offer, or our Secured Debt, restrict our ability to take specific actions in planning for and responding to changes in our business without the consent of the lenders, even if such actions may be in our best interest. Our Secured Debt also require us to meet specific financial tests to issue debt and make restricted payments, among other things. Further, the senior debt associated with the Sithe Independence indenture prohibits cash distributions by Independence to its affiliates, including Dynegy, unless certain project reserve accounts are funded to specified levels and the required debt service coverage ratio is met. Our ability to comply with the covenants in our financing agreements, as they currently exist or as they may be amended, may be affected by many events beyond our control, and our future operating results may not allow us to comply with the covenants, or in the event of a default, to remedy that default. Our failure to comply with those financial covenants or to comply with the other restrictions in our financing agreements could result in a default, requiring such financing agreements (and by reason of cross-default or cross-acceleration provisions, our other indebtedness) to become immediately due and payable. If we are unable to repay those amounts or to otherwise cure the default, the holders of the indebtedness under our Secured Debt could proceed against the collateral granted to them to secure that indebtedness. If those lenders accelerate the payment of such indebtedness, we cannot assure that we could pay or refinance that indebtedness immediately and continue to operate our business.

Our access to the capital markets may be limited.

We may require additional capital from outside sources from time to time. The timing of any capital-raising transaction may be impacted by unforeseen events, such as strategic growth opportunities, legal judgments or regulatory requirements, which could require us to pursue additional capital in the near term. Our ability to obtain capital and the costs of such capital are dependent on numerous factors, including:

- general economic and capital market conditions;
- covenants in our existing debt and credit agreements;
- credit availability from banks and other financial institutions;

investor confidence in us and the regional wholesale power markets;

our financial performance and the financial performance of our subsidiaries;

our levels of indebtedness;

our requirements for posting collateral under various commercial agreements;

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our maintenance of acceptable credit ratings;

our cash flow;

provisions of tax and securities laws that may impact raising capital; and

our long-term business prospects.

We may not be successful in obtaining additional capital for these or other reasons. The failure to obtain additional capital from time to time may have a material adverse effect on our financial condition, results of operations and cash flows, and on our ability to execute our business strategy. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for future growth.

We may not have adequate liquidity to post required amounts of additional collateral.

We use a significant portion of our capital resources, in the form of cash and letters of credit, to satisfy counterparty collateral demands. These counterparty collateral demands reflect our non-investment grade credit ratings and the counterparties views of our creditworthiness, as well as changes in commodity prices. If commodity prices change substantially, our liquidity could be severely strained by requirements under our commodity agreements to post additional collateral. In certain cases, our counterparties have elected to not require the posting of collateral to which they are otherwise entitled under certain agreements. However, those counterparties retain the right to request the posting of such collateral. Factors that could trigger increased demands for collateral include additional adverse changes in our industry, negative regulatory or litigation developments, adverse events affecting us, changes in our credit rating or liquidity, and changes in commodity prices for power and fuel. In addition, to the extent we do hedge against volatility in commodity prices, we may be exposed to additional collateral requirements without adequate liquidity to post required amounts of additional collateral. An increase in demands from our counterparties to post letters of credit or cash collateral may have a material adverse effect on our financial condition, results of operations and cash flows.

The ultimate outcome of unresolved legal proceedings and investigations relating to our past activities cannot be predicted. Any adverse determination could have a material adverse effect on our financial condition, results of operations and cash flows.

We are, or have in recent years been, a party to various material litigation matters and regulatory matters arising out of our business operations. These matters include, among other things, certain actions and investigations by the FERC and related regulatory bodies, litigation with respect to alleged actions in the western power and natural gas markets, a number of securities class action lawsuits that were settled in 2005, purported class action suits with respect to alleged violations of the Employment Retirement Income Security Act and various other matters. The ultimate outcome of pending matters cannot presently be determined, nor can the liability that could potentially result from a negative outcome in each case reasonably be estimated. Three significant matters are described below:

DNE is involved in litigation or administrative proceedings regarding the State Pollutant Discharge Elimination System, or SPDES, permits for two of our facilities, Roseton and Danskammer, in New York. In April 2005, the New York State Department of Environmental Conservation, or NYSDEC, issued to DNE a draft SPDES Permit for the Roseton plant. The draft SPDES Permit contains provisions governing, among other things, the cooling water intake and the discharge of heated effluent water. In mid-2005, three organizations filed petitions for party status seeking to impose a permit requirement that the Roseton plant install a closed cycle cooling system. We believe that the Petitioners claims are

without merit; however, given the high cost of installing a closed cycle cooling system, an adverse result in this proceeding could have a material adverse effect on our financial condition, results of operations and cash flows.

Danskammer s SPDES Permit was issued for a five-year term in 1987. Prior to the expiration of the permit, an application to renew the SPDES Permit was filed. In November 2002, several environmental groups filed suit

in the Supreme Court of the State of New York seeking, among other things, a declaratory judgment that the Danskammer SPDES Permit had expired because of alleged deficiencies in the renewal application process. In August 2004, the Court ruled that the SPDES Permit for our Danskammer facility was void, but stayed the enforcement of the decision pending further review by the Court or by the Appellate Division. In October 2004, we filed our appeal of the Court s decision with the Appellate Division and are currently challenging the Court s ruling voiding our permit. Oral argument before the Appellate Division occurred in September 2005, and a decision is expected in the first quarter 2006. If our appeal is ultimately unsuccessful, we may be required to suspend operations at our Danskammer facility until receipt of final approval of the renewal of our Danskammer SPDES Permit. We cannot predict with any certainty the outcome of these proceedings; however, an adverse outcome, particularly a requirement that we suspend operations at our Danskammer facility for any period of time, could have a material adverse effect on our financial condition, results of operations and cash flows.

We are a party to various suits that claim damages resulting from the alleged manipulation of gas index publications and prices by us and others. In each of these suits, the plaintiffs allege that we and other energy companies engaged in an illegal scheme to inflate natural gas prices by providing false information to gas index publications. All of the complaints rely heavily on the FERC and CFTC investigations into and reports concerning index-reporting manipulation in the energy industry. We cannot predict with certainty whether we will incur any liability in connection with these lawsuits; however, given the nature of the claims and the high costs of recent settlements of similar matters, an unfavorable result in any of these pending matters could materially adversely affect our financial condition, results of operations and cash flows.

Shortly before Enron s bankruptcy filing in the fourth quarter of 2001, we determined that we had net exposure to Enron Corp. and its affiliates, including certain liquidated damages and other amounts relating to the termination of commercial transactions among the parties, of approximately $84 million. This exposure was calculated by setting off approximately $230 million owed from Dynegy entities to Enron entities against approximately $314 million owed from Enron entities to Dynegy entities. The master netting agreement between Enron and us and the valuation of the commercial transactions covered by the agreement, which valuation is based principally on the parties assessment of market prices for such period, remain subject to dispute. In the event that Enron prevails in its position that the master netting agreement is unenforceable, our potential liability to Enron could be approximately $216 million before interest, with as much as $220 million in unsecured Dynegy claims remaining to enforce against the bankruptcy estate. If the setoff rights are modified or disallowed, either by agreement or otherwise, the amount available for our entities to set off against sums that might be due Enron entities could be reduced materially. In fact, we could be required to pay to Enron the full amount that it claims to be owed, while we would be an unsecured creditor of Enron to the extent of our claims. Given the size of the claims at issue, an adverse result could have a material adverse effect on our financial condition, results of operations and cash flows.

The interests of Chevron may conflict with your interests.

At December 31, 2005, Chevron owned approximately 35.4% of the voting power of Dynegy (assuming conversion of all of the Class B common stock and Series C preferred stock beneficially owned by Chevron). By virtue of such stock ownership, Chevron has the power to influence our affairs and the outcome of matters required to be submitted to stockholders for approval. Chevron, as a preferred stockholder, may have interests that differ from those of holders of common stock.

Many of our senior officers have been promoted recently and have only worked together as a management team for a short period of time. In addition, a number of our senior officers have limited experience in management positions.

We have recently made several significant changes to our senior management team. In November 2005, we named a new Executive Vice President and Chief Financial Officer, who had been serving as our Senior Vice President and Treasurer since May 2004 and previously as our Senior Vice President and Controller from June

2003 to May 2004. In addition, we named a new General Counsel and Executive Vice President of Administration, who had been serving as our Senior Vice President of Human Resources since August 2004 and previously as our Group General Counsel-Corporate Finance & Securities from June 2003 to August 2004. We also named a new Executive Vice President, Strategic Planning and Corporate Business Development, who had been serving as Senior Vice President of that same group since July 2003. As a result of these recent changes in senior management, many of our officers have only worked together as a management team for a short period of time. The failure to successfully integrate the senior management team could have an adverse impact on our business operations. In addition, some of our officers and management have had limited experience in management positions. Their inexperience could negatively impact our financial condition, results of operations and cash flows.

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QUESTIONS AND ANSWERS ABOUT THE OFFER AND CONSENT SOLICITATION

The following are some questions regarding the Offer and Consent Solicitation that you may have as a Holder and the answers to those questions. We urge you to read carefully this Prospectus and the related Letter of Transmittal and Consent because the information in this section is not complete.

Who is making the Offer?

Dynegy Inc., the issuer of the Debentures.

What securities are the subject of the Offer?

The securities that are the subject of the Offer are our 4.75% Convertible Subordinated Debentures due 2023. As of March 14, 2006, there was $225,000,000 in aggregate principal amount of Debentures outstanding.

What is the purpose of the Offer?

The purpose of the Offer is to encourage Holders to convert all of the Debentures to shares of our Class A common stock and cash, upon the terms and subject to the conditions specified in this Prospectus and the related Letter of Transmittal and Consent.

What is the purpose of the Consent Solicitation?

The purpose of the Consent Solicitation is to approve the Proposed Amendments and thereby eliminate the cross-default and cross-acceleration event of default in the Indenture with respect to any remaining Debentures. See The Offer and Consent Solicitation Principal Terms of the Offer and the Consent Solicitation.

What is the market value of the Debentures?

The Debentures are not listed on any national or regional securities exchange or reported on a national quotation system. To the extent that the Debentures are traded, prices of Debentures may fluctuate greatly depending on the trading volume and balance between buy and sell orders. You are urged to contact your broker to obtain the best available information as to current market prices of the Debentures.

What is the recent market price of the Class A common stock into which the Debentures are convertible?

Our Class A common stock is traded on the NYSE under the symbol DYN. The last reported sale price of our Class A common stock on March 14, 2006 was $4.94 per share. Each $1,000 principal amount of the Debentures is convertible into 242.6595 shares of Class A common stock, which is equivalent to a conversion price of $4.1210 per share. See Price Range of Class A Common Stock.

What will I receive in the Offer if I tender Debentures for conversion and they are accepted?

For each $1,000 in principal amount of Debentures converted pursuant to the Offer, you will receive the Offer Consideration, which consists of:

- 242.6595 shares of Class A common stock;
- a premium of $193.85 payable in cash; and
- accrued and unpaid interest from February 15, 2006 up to, but not including, the Payment Date, which is expected to be approximately $7.92 payable in cash.

The Company is not required to issue any fractional shares of Class A common stock upon conversion of the Debentures. Instead, in lieu of fractional shares you shall receive a cash payment based upon the volume weighted average price of our Class A common stock during the five-day trading period immediately preceding the Expiration Date as calculated by the Company.

How does the cash payment I will receive if I participate in the Offer compare to the cash payments I will receive on Debentures if I do not participate in the Offer, or if I now or later convert my Debentures other than pursuant to the Offer?

If you do not tender Debentures pursuant to the Offer, you will be entitled to receive interest payments of 4.75% per annum, payable semi-annually in arrears on each February 15 and August 15 through maturity. You will also continue to have the right to convert your Debentures in accordance with their terms, subject to our right, on or after August 20, 2010, to redeem all or any portion of the Debentures at 100% of the principal amount of Debentures being redeemed, plus accrued and unpaid interest, if any, up to but not including the redemption date.

If your Debentures are converted pursuant to the Offer, you will no longer be entitled to semi-annual interest payments on your Debentures. However, for each $1,000 in principal amount of Debentures converted pursuant to the Offer, you will receive 242.6595 shares of Class A common stock, a cash premium of $193.85, and accrued and unpaid interest from February 15, 2006 up to, but not including, the Payment Date, payable in cash. If you convert your Debentures (whether now or later) other than pursuant to the Offer, you will not be entitled to receive the cash premium described above, or, if you convert prior to an interest payment date, unpaid interest accrued after the last date on which interest was paid on the Debentures.

Will I receive accrued and unpaid interest from and after February 15, 2006 to the Payment Date?

Although under the terms of the Debentures, we are not obligated to pay interest for a partial interest period on Debentures converted during that period, the Offer Consideration includes an amount equivalent to the amount of unpaid interest accrued from the day after the last interest payment date prior to the Payment Date, which last interest payment date was February 15, 2006, up to, but not including, the Payment Date.

How will fluctuations in the trading price of the Class A common stock affect the amount I will receive if I tender Debentures for conversion?

You will receive a fixed number of shares of our Class A common stock if you convert your Debentures pursuant to this Offer. If the market price of our Class A common stock declines, the value of the shares of our Class A common stock you will receive as part of the Offer Consideration will decline. The trading value of our Class A common stock could fluctuate depending upon any number of factors, including those specific to us and those that influence the trading prices of equity securities generally, many of which are beyond our control.

How will the Company fund the cash portion of the Offer Consideration?

Assuming full participation, we will need approximately $45,397,500 in cash to fund the cash portions of the Offer Consideration (including payment of accrued interest of approximately $1,781,250 on the Debentures). We will use cash on hand to make these payments.

When will I receive the Offer Consideration for tendering my Debentures pursuant to the Offer?

Assuming we do not terminate the Offer, Debentures validly tendered (and not withdrawn) pursuant to the Offer in accordance with the procedures set forth herein and in the Letter of Transmittal and Consent at or prior to the Expiration Date will, upon the terms and subject to the conditions of the Offer, be accepted for conversion and payment by us of the Offer Consideration, and payments will be made therefor on the Payment Date, which is expected to be promptly following the Expiration Date. If the Offer is not consummated, no such conversion will occur and no payments will be made.

Will the Class A common stock I receive upon conversion of the Debentures be freely tradable?

Yes. The Class A common stock issuable upon conversion will be listed on the NYSE under the symbol DYN. Generally, our Class A common stock issuable upon conversion will be freely tradable, unless you are

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an affiliate of ours, as that term is defined in the Securities Act of 1933, as amended (the Securities Act), or you have acquired your Debentures from an affiliate of ours in an unregistered transaction.

Can I still convert my Debentures into shares of Class A common stock if I do not participate in the Offer?

Yes. However, you will not receive the cash premium. In addition, if you convert prior to an interest payment date, you will not receive accrued interest for the period from the date of the last interest payment on the Debentures, whereas Holders whose Debentures are converted pursuant to the Offer will receive unpaid interest accrued from February 15, 2006 up to, but not including, the Payment Date for the Debentures. The number of shares of Class A common stock you would receive upon conversion of your Debentures pursuant to the Offer is the same number of shares of Class A common stock that you would have received if you exercised your conversion rights pursuant to the terms of the Indenture, subject to any adjustments to the conversion price that may be made pursuant to the terms of the Indenture following the Offer.

Are any Debentures held by the Company s officers or directors?

No. To our knowledge, none of our directors or executive officers beneficially holds Debentures.

Is the Company making a recommendation regarding whether I should tender my Debentures for conversion pursuant to the Offer or deliver Consents?

We have not made, nor will we make a recommendation to any Holder, and we will remain neutral as to whether you should tender your Debentures for conversion pursuant to the Offer or deliver Consents to the proposed amendment to the Indenture pursuant to the Consent Solicitation. You must make your own investment decision regarding the Offer. We urge you to carefully read this Prospectus in its entirety, including the information set forth in the section entitled Risk Factors, and in the documents incorporated by reference herein before making a decision.

What are the conditions to the Offer and Consent Solicitation?

The Offer and Consent Solicitation is subject to applicable law and the conditions described under The Offer and Consent Solicitation Conditions to the Offer and Consent Solicitation. The Offer is not conditioned upon any minimum principal amount of Debentures being tendered for conversion. However, the Proposed Amendments require the approval of Holders of a majority in principal amount of the outstanding Debentures. Accordingly, the Proposed Amendments will become effective only if Holders of at least a majority in principal amount of Debentures outstanding tender their Debentures and related Consent pursuant to the Offer and Consent Solicitation.

When does the Offer and Consent Solicitation expire?

The Offer and Consent Solicitation will expire at 5:00 p.m., New York City time, on April 13, 2006, unless extended or terminated by us.

Under what circumstances can the Offer and Consent Solicitation be extended, amended or terminated?

We may extend or amend the Offer and Consent Solicitation in our sole discretion, and we expressly reserve the right, subject to Rule 14e-l(c) under the Securities Exchange Act of 1934, as amended (the Exchange Act), to delay acceptance for conversion of, or payment of Offer Consideration in respect of, Debentures, or to terminate the Offer and Consent Solicitation, in the event that certain conditions are not satisfied. See The Offer and Consent Solicitation Principal Terms of the Offer and Consent Solicitation and Conditions to the Offer and Consent Solicitation.

How will I be notified if the Offer and Consent Solicitation is extended?

Any extension, amendment or termination of the Offer and Consent Solicitation will be followed by public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which any public announcement may be made, we will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release or other public announcement or as required by applicable law.

What risks should I consider in deciding whether or not to tender Debentures pursuant to the Offer?

In deciding whether to participate in the Offer, you should carefully consider the discussion of risks and uncertainties affecting the Offer and our Class A common stock under the section entitled Risk Factors herein and in our documents incorporated by reference herein.

What are the material United States federal income tax consequences of the Offer?

Although the tax treatment of conversion of your Debentures pursuant to the Offer is uncertain, we intend to take the position that the tender of the Debentures in exchange for the Offer Consideration should be treated for U.S. federal income tax purposes as a recapitalization. For more information, please see the section of this Prospectus entitled Material United States Federal Income Tax Consequences. Tax matters are very complicated and the U.S. federal income tax consequences of the Offer to you will depend on your own personal circumstances and the treatment of the conversion of Debentures pursuant to the Offer under current U.S. federal income tax law, which is not entirely clear. We therefore urge you to consult your own tax advisor for a full understanding of the tax consequences of participating in the Offer.

Will the Company receive any proceeds from the Offer?

No.

How do I tender my Debentures for conversion pursuant to the Offer?

If your Debentures are held in the name of a broker, dealer or other nominee, the Debentures may be tendered for conversion by your nominee through the Depository Trust Company (DTC). If your Debentures are not held in the name of a broker, dealer or other nominee, you must tender your Debentures for conversion together with a completed Letter of Transmittal and Consent and any other documents required thereby or hereby, to the conversion agent, at or prior to the Expiration Date. For more information regarding the procedures for tendering your Debentures pursuant to the Offer, see The Offer and Consent Solicitation Procedure for Tendering Debentures and Delivering Consents.

May I tender for conversion only a portion of the Debentures that I hold?

Yes. You do not have to tender all of your Debentures for conversion to participate in the Offer. However, you may tender Debentures for conversion only in integral multiples of $1,000 principal amount of the Debentures.

What happens if some or all of my Debentures are not accepted for conversion?

If we decide for any reason not to accept some or all of your Debentures, the Debentures not accepted by us will be returned to you, at our expense, promptly after the Expiration Date. See The Offer and Consent Solicitation Procedure for Tendering Debentures and Delivering Consents.

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What is the deadline and what are the procedures for withdrawing previously tendered Debentures?

Debentures previously tendered for conversion may be withdrawn at any time at or prior to the Expiration Date. For a withdrawal of tendered Debentures to be effective, a written, telegraphic or facsimile transmission with all the information required must be received by the conversion agent at or prior to 5:00 p.m., New York City time, on the Expiration Date at its address set forth on the back cover of this Prospectus. In addition, tenders may be withdrawn if we have not accepted for payment Debentures tendered for conversion at any time after 12:00 a.m., New York City time, on May 10, 2006. See The Offer and Consent Solicitation Withdrawal of Tendered Debentures and Revocation of Consents.

Who do I call if I have any questions on how to tender my Debentures for conversion or any other questions relating to the Offer and Consent Solicitation?

Any requests for assistance in connection with the Offer or for additional copies of this Prospectus or related materials should be directed to the information agent. Any questions regarding the Offer should be directed to the dealer manager. Contact information for the information agent and the dealer manager is set forth on the back cover of this Prospectus. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees through which they hold the Debentures with questions and requests for assistance.

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PRICE RANGE OF CLASS A COMMON STOCK

Our Class A common stock is listed on the NYSE under the symbol DYN. The following table shows the high and low sale prices per share of our Class A common stock for the periods indicated, as reported on the NYSE composite transaction tape. On March 14, 2006, the last reported sale price of our Class A common stock was $4.94 per share. As of December 31, 2005, the book value per share of Class A common stock was $5.36 per share, or $5.13 per share adjusted for the additional shares of Class A common stock that may be issued upon conversion of the Debentures pursuant to the Offer (assuming full participation). As of March 10, 2006, our Class A common stock was held by approximately 19,370 holders of record, and the number of outstanding shares of our Class A common stock was 304,237,750 (excluding treasury shares). Assuming full participation, we would issue an additional 54.6 million shares of our Class A common stock pursuant to the offer.

Period	Price Range	
	High	Low
2006		
First Quarter (through March 14, 2006)	$ 4.94	$ 4.80
2005		
Fourth Quarter	$ 5.07	$ 4.15
Third Quarter	5.63	4.35
Second Quarter	5.10	3.23
First Quarter	4.75	3.62
2004		
Fourth Quarter	$ 5.86	$ 4.27
Third Quarter	4.99	3.93
Second Quarter	4.44	3.75
First Quarter	5.15	3.46
2003		
Fourth Quarter	$ 4.35	$ 3.45
Third Quarter	4.65	2.85
Second Quarter	5.23	2.54
First Quarter	2.63	1.29

DIVIDEND POLICY

Dividend payments on our common stock are at the discretion of our Board of Directors. We have not paid a dividend on our common stock since 2002. We do not foresee a declaration of dividends on our common stock in the near term, particularly given our financial condition and the dividend restrictions contained in our financing agreements. Specifically, we have agreed not to pay any dividends on our common stock under the terms of the Senior Secured Credit Facility. We have, however, continued to make the required dividend payments on our outstanding trust preferred securities.

The Series B Preferred Stock we issued to Chevron in November 2001 had no dividend requirement. Because of Chevron s discounted conversion option, however, we accreted an implied preferred stock dividend over the redemption period, as required by GAAP.

We accrue dividends on our Series C preferred stock at a rate of 5.5% per annum. We accrued and made dividend payments on the Series C preferred stock during the year ended December 31, 2005 totaling approximately $22 million. Dividends are payable on the Series C preferred stock in February and August of each year, but we may defer payments for up to 10 consecutive semi-annual periods. Unless we have sufficient

liquidity at the parent level, we may be required to defer payment of dividends on the Series C preferred stock beginning in August 2006.

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USE OF PROCEEDS

We will not receive any proceeds from the Offer. Any Debentures that are validly tendered (and not withdrawn) pursuant to the Offer will be retired and cancelled.

RATIO INFORMATION

We have computed the ratio of earnings to fixed charges (a) on a historical basis for each of the fiscal years 2001, 2002, 2003, 2004 and 2005, and (b) on a pro forma basis for the fiscal year ended 2005 to give effect to this Offer, the SPN Tender Offer (assuming full participation), the New Long-term Debt, the Term L/C Facility, the Cash Collateral Return and the Sterlington Payment as if they had been consummated on January 1, 2005. For purposes of computing the ratio of earnings to fixed charges, Earnings consist of pre-tax earnings (losses) from continuing operations before adjustment for earnings (losses) from equity investees, plus fixed charges (excluding capitalized interest and preferred dividends). Fixed charges represent interest incurred (whether expensed or capitalized), amortization of debt expense and that portion of rental expense on operating leases deemed to be the equivalent of interest. Preferred Dividends represent the pre-tax earnings necessary to cover the dividends on our preferred stock, assuming such earnings are taxed at our consolidated effective tax rate. You should read the ratio information below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 incorporated by reference in this Prospectus.

	Years Ended December 31,					Pro Forma Year Ended December 31, 2005
	2001	2002	2003	2004	2005	(unaudited)
	(Dollars in millions)					
Ratio of earnings (losses) to fixed charges	1.25	(a)	(a)	(a)	(a)	(a)

(a) For the years ended December 31, 2002, 2003, 2004 and 2005, earnings were insufficient to cover fixed charges by $1,704 million, $1,337 million, $446 million and $1,153 million, respectively. For the pro forma year ended December 31, 2005, earnings were insufficient to cover fixed charges by $1,306 million.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2005:

- on a historical basis; and
- as adjusted to give pro forma effect to this Offer (assuming full participation), the SPN Tender Offer (assuming full participation), the New Long-term Debt, the Term L/C Facility, the Cash Collateral Return and the Sterlington Payment.

You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto in our 2005 Annual Report on Form 10-K incorporated by reference in this Prospectus and the information set forth under Unaudited Pro Forma Condensed Consolidated Financial Data.

	As of December 31, 2005	
	Historical	**As adjusted**
	(in millions)	
Cash and cash equivalents	$ 1,549	$ 241
Restricted cash	397	62
Short-Term Debt:		
Notes payable and current portion of long-term debt	71	71
Total Short-Term Debt	71	71
Long-Term Debt (excluding current portion):		
Senior Secured Credit Facility (1)		
Term L/C Facility		200
New Long-term Debt		750
Senior Notes (2)	1,334	1,334
Second Priority Notes	1,754	
Subordinated Debentures to affiliate (3)	200	200
Debentures	225	
Sithe Energies Debt (4)	715	715
Total Long-Term Debt	4,228	3,199
Series C Preferred Stock	400	400
Stockholders Equity		
Class A common stock	2,949	3,174
Class B common stock	1,006	1,006
Additional paid-in capital	51	51
Subscriptions receivable	(8)	(8)
Accumulated other comprehensive loss, net of tax	4	4
Accumulated deficit	(1,780)	(1,972)
Treasury stock, at cost	(69)	(69)

Total Stockholders Equity	2,153	2,186
Total Capitalization	$ 6,852	$ 5,856

(1) On March 6, 2006, we entered into a revolving credit facility providing for aggregate borrowings of up to $400 million under the terms of our Senior Secured Credit Facility.

(2) Comprising debt with a carrying amount of (a) $22 million of 7.45% Senior Notes due 2006, (b) $499 million of 6.875% Senior Notes due 2011, (c) $491 million of 8.75% Senior Notes due 2012, (d) $175 million of 7.125% Senior Debentures due 2018, and (e) $174 million of 7.625% Senior Debentures due 2026.

(3) 8.316% Subordinated Debentures due 2027 payable to our affiliate.

(4) Comprising debt with a carrying amount of (a) $419 million of Subordinated Debt, 7.0% due 2034, (b) $57 million of Senior Notes, 8.5% due 2007, and (c) $409 million of Senior Notes, 9.0% due 2013.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected historical consolidated financial data as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 have been derived from our historical consolidated financial statements incorporated by reference in this Prospectus. The following selected historical consolidated financial data as of December 31, 2001, 2002 and 2003 and for the years ended December 31, 2001 and 2002 have been derived from our historical consolidated financial statements which are not incorporated by reference in this Prospectus.

The selected historical consolidated financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 incorporated by reference in this Prospectus. Historical results are not necessarily indicative of results that may be expected for any future period. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 includes a restatement of our consolidated balance sheet and our consolidated statement of stockholders equity as of December 31, 2004 and periods prior to 2004. This restatement is reflected in all periods presented in this Prospectus.

	Years Ended December 31,				
	2001	2002	2003	2004	2005
	(in millions, except per share data)				
Statement of Operations Data (1):					
Revenues	$ 3,635	$ 2,109	$ 2,599	$ 2,451	$ 2,313
Depreciation and amortization expense	(368)	(378)	(373)	(235)	(220)
Goodwill impairment		(814)	(311)		
Impairment and other charges		(176)	(225)	(78)	(46)
General and administrative expenses	(385)	(297)	(315)	(330)	(468)
Operating income (loss)	823	(1,146)	(769)	(100)	(838)
Interest expense	(201)	(241)	(503)	(453)	(389)
Income tax benefit (expense)	(320)	337	296	172	395
Net income (loss) from continuing operations	423	(1,217)	(813)	(180)	(804)
Income (loss) from discontinued operations (3)	(24)	(1,136)	81	165	912
Cumulative effect of change in accounting principles	2	(234)	40		(5)
Net income (loss)	$ 401	$ (2,587)	$ (692)	$ (15)	$ 103
Net income (loss) applicable to common stockholders	359	(2,917)	321	(37)	81
Basic earnings (loss) per share from continuing operations	$ 1.17	$ (4.23)	$ 0.53	$ (0.53)	$ (2.13)
Basic net income (loss) per share	1.10	(7.97)	0.86	(0.10)	0.21
Diluted earnings (loss) per share from continuing operations	$ 1.12	$ (4.23)	$ 0.50	$ (0.53)	$ (2.13)
Diluted net income (loss) per share	1.06	(7.97)	0.78	(0.10)	0.21
Shares outstanding for basic EPS calculation	326	366	374	378	387
Shares outstanding for diluted EPS calculation	340	370	423	504	513
Cash dividends per common share	$ 0.30	$ 0.15	$	$	$
Cash Flow Data:					
Cash flows from operating activities	$ 550	$ (25)	$ 876	$ 5	$ (30)
Cash flows from investing activities	(3,828)	677	(266)	262	1,824
Cash flows from financing activities	3,450	(44)	(900)	(115)	(873)
Cash dividends or distributions to partners, net	(98)	(55)		(22)	(22)
Capital expenditures, acquisitions and investments	(4,687)	(981)	(338)	(314)	(315)

	December 31,				
	2001	2002	2003	2004	2005
			(in millions)		
Balance Sheet Data (2):					
Current assets	$ 8,944	$ 7,574	$ 3,074	$ 2,728	$ 3,706
Current liabilities	8,538	6,748	2,450	1,802	2,116
Property and equipment, net	9,269	8,458	8,178	6,130	5,323
Total assets	25,074	20,020	12,801	9,843	10,126
Long-term debt (excluding current portion)	5,016	5,454	5,893	4,332	4,228
Notes payable and current portion of long-term debt	458	861	331	34	71
Serial preferred securities of a subsidiary	46	11	11		
Subordinated debentures to affiliate	200				