

Dynegy Acquisition, Inc.  
Form S-4  
December 08, 2006  
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As filed with the Securities and Exchange Commission on December 8, 2006

Registration No. 333-

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-4**

**REGISTRATION STATEMENT**

**UNDER THE SECURITIES ACT OF 1933**

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**DYNEGY ACQUISITION, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction  
of incorporation or organization)*

**4911**  
*(Primary Standard Industrial  
Classification Code Number)*  
**1000 Louisiana Street, Suite 5800**

**20-5653152**  
*(I.R.S. Employer  
Identification Number)*

**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, EVP Administration & Secretary**

**1000 Louisiana Street, Suite 5800**

**Houston, Texas 77002**

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(713) 507-6400

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

\_\_\_\_\_  
*Copy to:*

**Julien R. Smythe, Esq.**

**Ronald Cami, Esq.**

**Akin Gump Strauss Hauer & Feld LLP**

**Cravath, Swaine & Moore LLP**

**1111 Louisiana Street, 44th Floor**

**Worldwide Plaza, 825 Eighth Ave.**

**Houston, Texas 77002-5200**

**New York, NY 10019-7475**

**(713) 220-5800**

**(212) 474-1000**

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective.

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	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Class A Common Stock, par value of \$0.01 per share	444,859,587 shares <sup>(1)</sup>	\$ 6.78 <sup>(3)</sup>	\$ 3,016,148,000 <sup>(3)</sup>	\$ 322,728 <sup>(3)</sup>
	96,891,014 shares <sup>(2)</sup>	\$ 4.63 <sup>(4)</sup>	\$ 448,605,395 <sup>(4)</sup>	\$ 48,001 <sup>(4)</sup>

- (1) Represents the maximum number of shares of the Class A common stock of Dynegy Acquisition, Inc. ( New Dynegy ) estimated to be issuable upon the completion of the Merger Agreement Transactions (as defined in the accompanying prospectus) in respect of the shares of Dynegy Inc. ( Dynegy ) Class A common stock, based on the sum of (i) 401,266,363 shares of Dynegy Class A common stock outstanding as of December 5, 2006 and (ii) 43,593,224 shares of Dynegy Class A common stock reserved for issuance pursuant to Dynegy s incentive plans as of December 5, 2006. Pursuant to the Merger Agreement, each share of Dynegy Class A common stock outstanding at the effective time of the Merger will be exchanged for one share of the Class A common stock of New Dynegy.
- (2) Represents the maximum number of shares of the Class A common stock of New Dynegy estimated to be issuable upon the completion of the Merger Agreement Transactions to the holder of Dynegy Class B common stock based on the 96,891,014 shares of Dynegy Class B common stock outstanding as of December 5, 2006. Pursuant to the Merger Agreement, each share of Dynegy Class B common stock outstanding at the effective time of the Merger will be exchanged for one share of the Class A common stock of New Dynegy.
- (3) Pursuant to Rules 457(c) and 457(f)(1) under the Securities Act of 1933, as amended, the registration fee for the shares of the Class A common stock of New Dynegy to be issued in respect of the shares of Dynegy Class A common stock is based on (i) the average of the high and low sales prices of Dynegy Class A common stock, as reported on the New York Stock Exchange on December 1, 2006, of \$6.78 per share and (ii) the estimated maximum number of shares of the Class A common stock of Dynegy that may be exchanged for the Class A common stock of New Dynegy being registered, including the shares of Dynegy

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Class A common stock reserved for issuance pursuant to Dynegy's incentive plans as of December 5, 2006.

- (4) Pursuant to Rule 457(f)(2) under the Securities Act of 1933, as amended, the registration fee for the 96,891,014 shares of the Class A common stock of New Dynegy to be issued to the holder of Dynegy Class B common stock is based on the book value of Dynegy's Class B common stock as of September 30, 2006 of approximately \$4.63 per share.

**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 Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this preliminary proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state or jurisdiction where the offer or sale is not permitted.**

**Preliminary Copy Subject To Completion, Dated December 8, 2006**

**MERGER PROPOSED YOUR VOTE IS IMPORTANT**

To our shareholders:

I am pleased to invite you to attend the special meeting of shareholders of Dynegy Inc. ( Dynegy ) to be held on March 1, 2007, at 10:00 a.m., local time, at 10000 Katy Road, Houston, Texas 77002. At the special meeting, you will be asked to consider and vote on a proposal to adopt the merger agreement that Dynegy entered into with, among others, LSP Gen Investors, L.P., LS Power Partners, L.P., LS Power Equity Partners PIE I, L.P., LS Power Equity Partners, L.P. and LS Power Associates, L.P. ( LS Associates and, collectively, the LS Contributing Entities ) as of September 14, 2006, and to approve the merger contemplated by such merger agreement. As more fully described herein, the transaction involves the following steps:

a new company, currently named Dynegy Acquisition, Inc., but which we refer to herein as New Dynegy, has been formed under the laws of the State of Delaware;

New Dynegy will acquire all of the interests owned by the LS Contributing Entities in entities that own 11 power generation projects in exchange for the consideration described herein;

contemporaneously with the acquisition described above, New Dynegy will acquire Dynegy by way of the merger of a newly formed, wholly owned subsidiary of New Dynegy with and into Dynegy; and

LS Associates will transfer its interests in certain power generation development projects to a newly formed limited liability company (the Development LLC ) and, in connection with the completion of the merger, will contribute 50% of the membership interests in the Development LLC to New Dynegy; subsequent to the completion of the merger, LS Associates and New Dynegy intend to contribute their respective interests in certain additional power generation development projects to the Development LLC.

Upon the completion of these transactions, New Dynegy will be renamed Dynegy Inc.

If these transactions are completed, Dynegy's shareholders will receive one share of New Dynegy's Class A common stock for each share of Dynegy's common stock held by them immediately prior to the effective time of the merger, and the LS Contributing Entities will receive, in partial consideration of their contributed interests, shares of New Dynegy's Class B common stock representing approximately 40% of New Dynegy's common stock that will be outstanding upon the completion of these transactions. Upon the completion of these transactions, New Dynegy's Class A common stock will be listed on the New York Stock Exchange (the NYSE ) under the symbol DYN, which is the symbol under which Dynegy's current Class A common stock is traded on the NYSE.

Your vote is very important, regardless of the number of shares you own. Dynegy cannot complete these transactions unless the merger agreement is adopted and the merger is approved by the affirmative vote of two-thirds of the issued and outstanding shares of (i) Dynegy's Class A common stock voting as a class, (ii) Dynegy's Class B common stock voting as a class and (iii) Dynegy's Class A common stock and Class B common stock voting together as a class. Whether or not you plan to attend the special meeting, please take the time to submit your proxy. Voting instructions are inside this proxy statement/prospectus.

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The board of directors of Dynegy has approved the merger agreement and has determined that these transactions, including the merger, are advisable and in the best interests of Dynegy and its shareholders. The board of directors of Dynegy recommends that you vote **FOR** the adoption of the merger agreement and the approval of the merger.

**If you do not submit your proxy, vote in person or instruct your broker or bank how to vote, it will have the same effect as voting AGAINST the adoption of the merger agreement and the approval of the merger.**

This proxy statement/prospectus describes these transactions and provides specific information concerning the special meeting. You are encouraged to read this entire document carefully.

Sincerely,

Bruce A. Williamson

Chairman and Chief Executive Officer Dynegy Inc.

**For a discussion of certain risk factors that you should consider in evaluating the transactions described above and an investment in New Dynegy's common stock, see Risk Factors beginning on page 26.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or passed on the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

We may amend or supplement this proxy statement/prospectus from time to time by filing amendments or supplements as required.

This proxy statement/prospectus is dated \_\_\_\_\_, 2007, and is first being mailed to Dynegy's shareholders on or about \_\_\_\_\_, 2007.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD MARCH , 2007**

To our shareholders:

Dynegy Inc. ( Dynegy ) will hold a special meeting of its shareholders on March , 2007 at :00 a.m., local time, at , Houston, Texas 77002, to consider and vote on a proposal to adopt the merger agreement, dated as of September 14, 2006, by and among Dynegy, Dynegy Acquisition, Inc. ( New Dynegy ), Falcon Merger Sub Co. ( Merger Sub ), LSP Gen Investors, L.P., LS Power Partners, L.P., LS Power Equity Partners PIE I, L.P., LS Power Equity Partners, L.P. and LS Power Associates, L.P. ( LS Associates and, collectively, the LS Contributing Entities ) and to approve the merger of Merger Sub with and into Dynegy. The merger agreement contemplates, among other transactions, that:

Merger Sub, a new wholly owned subsidiary of New Dynegy, will merge with and into Dynegy, as a result of which Dynegy will become a wholly owned subsidiary of New Dynegy;

each share of Dynegy s common stock outstanding immediately prior to the merger will be converted into the right to receive one share of the Class A common stock of New Dynegy pursuant to the merger;

contemporaneously with the merger, the LS Contributing Entities will transfer all of the interests owned by them in entities that own 11 power generation projects to New Dynegy in exchange for (i) 340 million shares of the Class B common stock of New Dynegy, (ii) \$100 million in cash and (iii) \$275 million in aggregate principal amount of junior unsecured subordinated notes of New Dynegy; and

LS Associates will transfer its interests in certain power generation development projects to a newly formed limited liability company (the Development LLC ) and, in connection with the completion of the merger, will contribute 50% of the membership interests in the Development LLC to New Dynegy; after the completion of the merger, LS Associates and New Dynegy intend to contribute their respective interests in certain additional power generation development projects to the Development LLC.

Upon the completion of these transactions, Dynegy s shareholders, in the aggregate, will hold approximately 60%, and the LS Contributing Entities will hold approximately 40%, of the outstanding common stock of New Dynegy, and New Dynegy will assume approximately \$1.9 billion of net debt (debt less restricted cash and investments) of the Contributed Entities (as of September 30, 2006).

A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. The certificate of incorporation and bylaws of New Dynegy to be in effect following the merger are set forth as Annex B and Annex C, respectively, to this proxy statement/prospectus.

The board of directors of Dynegy has approved the merger agreement and the related transactions and has determined that the transactions, including the merger, are advisable and in the best interests of Dynegy and its shareholders. The board of directors of Dynegy recommends that you vote FOR the adoption of the merger agreement and the approval of the merger.

Only Dynegy s shareholders of record at the close of business on , 2007 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. No business other than the proposal described in this notice will be considered at the special meeting or any adjournment or postponement thereof. A complete list of Dynegy s shareholders of record entitled to vote at the special meeting will be available for inspection at the special meeting.

Your vote is very important, regardless of the number of shares you own. Dynegy cannot complete these transactions, including the merger, unless the merger agreement is adopted and the merger is approved by the affirmative vote of two-thirds of the issued and outstanding shares of (i) Dynegy s Class A common stock voting as a class, (ii) Dynegy s Class B common stock voting as a class and (iii) Dynegy s Class A common stock and Class B common stock voting together as a class. Please submit your proxy as soon as possible to make sure that your shares are represented at the special meeting.

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You have the right to dissent and obtain the estimated fair value of your shares after the merger is completed if you do not vote in favor of the transaction and you follow required procedures explained under The Merger Rights of Dynegy's Shareholders Dissenting from the Merger Agreement and the Merger Proposal.

For your shares to be voted, you may complete, sign, date and return the enclosed proxy card or you may submit your proxy by telephone or over the Internet. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. **If you do not submit your proxy, vote in person or instruct your broker or bank how to vote, it will have the same effect as voting AGAINST the adoption of the merger agreement and the approval of the merger.**

By Order of the Board of Directors,

J. Kevin Blodgett

, 2007

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**REFERENCES TO ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about Dynegey from other documents that are not included in or delivered with this proxy statement/prospectus. The Securities and Exchange Commission (the SEC) maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information regarding registrants, like Dynegey, that file reports with the SEC electronically. The SEC's website address is <http://www.sec.gov>. You may also read and copy any document Dynegey files with the SEC at the SEC's public reference room, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference room. The information Dynegey files with the SEC and other information about Dynegey is also available on Dynegey's website at <http://www.dynegey.com>. However, the information on Dynegey's website is not a part of, nor incorporated by reference into, this proxy statement/prospectus. For a listing of the documents incorporated by reference, please see **Where You Can Find More Information**.

You can also obtain those documents incorporated by reference in this proxy statement/prospectus without charge by contacting Dynegey at:

Dynegey Inc.

1000 Louisiana Street, Suite 5800

Houston, Texas 77002

(713) 507-6400

Attention: Investor Relations Department

**In order to ensure timely delivery of requested documents, any request should be made at least five business days prior to the date on which an investment decision is to be made and, in any event, no later than March 1, 2007, which is five business days prior to the special meeting.**



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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

*The following questions and answers are intended to briefly address some frequently asked questions regarding the Merger (as defined below) and the other transactions (together with the Merger, the Merger Agreement Transactions ) contemplated by the Merger Agreement (as defined below). It should be read together with the section entitled Summary. These questions and answers may not address all questions that may be important to you as a shareholder of Dynegy Inc. ( Dynegy ). You are urged to read this entire proxy statement/prospectus carefully and the other documents to which Dynegy and New Dynegy (as defined below) refer you.*

**Q: When and where is the special meeting?**

A: The special meeting will take place on March , 2007, at :00 a.m., local time, at , Houston, Texas 77002.

**Q: What am I being asked to vote on?**

A: You are being asked to vote to adopt the Plan of Merger, Contribution and Sale Agreement (the Merger Agreement ), dated as of September 14, 2006, by and among Dynegy, Dynegy Acquisition, Inc. ( New Dynegy ), Falcon Merger Sub Co. ( Merger Sub ), LSP Gen Investors, L.P. ( Gen Investors ), LS Power Partners, L.P. ( LS Partners ), LS Power Equity Partners PIE I, L.P. ( PIE ), LS Power Associates, L.P. ( LS Associates ) and LS Power Equity Partners, L.P. ( LS Equity Partners and, collectively with Gen Investors, LS Partners, PIE and LS Associates, the LS Contributing Entities ) and approve the Merger (as defined below). The Merger Agreement contemplates, among other transactions, that:

Merger Sub, a new Illinois corporation and a wholly owned subsidiary of New Dynegy, will merge with and into Dynegy (the Merger ), as a result of which Dynegy will become a wholly owned subsidiary of New Dynegy;

each share of Dynegy s common stock outstanding immediately prior to the Merger will be converted into the right to receive one share of the Class A common stock of New Dynegy pursuant to the Merger;

the LS Contributing Entities will transfer all of the interests (the Contributions ) owned by them in entities that own 11 power generation projects (the Contributed Entities ) to New Dynegy in exchange for (i) 340 million shares of the Class B common stock of New Dynegy, (ii) \$100 million in cash and (iii) \$275 million in aggregate principal amount of junior unsecured subordinated notes of New Dynegy (the New Dynegy Notes ); and

LS Associates will transfer its interests in certain power generation development projects to a newly formed limited liability company (the Development LLC ) and, in connection with the completion of the Merger, will contribute 50% of the membership interests in the Development LLC to New Dynegy; subsequent to the completion of the Merger, LS Associates and New Dynegy intend to contribute their respective interests in certain additional power generation development projects to the Development LLC.

Upon the completion of the Merger Agreement Transactions, Dynegy s shareholders, in the aggregate, will hold approximately 60%, and the LS Contributing Entities will hold approximately 40%, of the outstanding common stock of New Dynegy, and New Dynegy will assume approximately \$1.9 billion of net debt (debt less restricted cash and investments) of the Contributed Entities (as of September 30, 2006).

You are only being asked to vote on adoption of the Merger Agreement and the approval of the Merger. You are not being asked to vote on any other of the Merger Agreement Transactions, including the Contributions by the LS Contributing Entities of the Contributed Entities and the anticipated post-Merger contributions by LS Associates and New Dynegy of their respective interests in certain power generation development projects to the Development LLC. However, because the Merger Agreement Transactions are an integral part of the Merger Agreement and the Merger, a vote FOR or AGAINST the adoption of the Merger Agreement and the approval of the Merger will have the effect of approving or

disapproving (as the case may be) all of the Merger Agreement Transactions.

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Moreover, you are not being asked to vote on the transactions contemplated by the Kendall Agreement (as defined and described beginning on page 188), which will be completed if the Merger Agreement Transactions are not completed. Thus, a vote AGAINST the adoption of the Merger Agreement and the approval of the Merger will not prevent the completion of the transactions contemplated by the Kendall Agreement.

For a more detailed discussion about the Merger, please see The Merger.

**Q: What will I receive in the Merger?**

A: You will receive one share of New Dynegy's Class A common stock for each share of Dynegy common stock you hold, unless you do not vote to adopt the Merger Agreement and approve the Merger and you exercise and perfect your dissenters' rights under Illinois law. See The Merger Rights of Dynegy's Shareholders Dissenting from the Merger Agreement and Merger Proposal.

**Q: Why is Dynegy's board of directors recommending that I vote FOR the adoption of the Merger Agreement and the approval of the Merger?**

A: Dynegy's board of directors believes that the Merger will provide substantial strategic and financial benefits to Dynegy's shareholders, employees and customers, including:

increased fuel and dispatch diversity of the combined generation portfolios, and in particular, the opportunity to transform the Dynegy portfolio from one with cash flows primarily provided by coal-fired assets and, to a lesser extent, gas-fired peaking assets, to the New Dynegy portfolio with significant cash flows provided by a balanced combination of low-cost baseload, efficient intermediate load and flexible peaking assets, with forward contracts;

increased geographic diversity, particularly through the expansion of Dynegy's Northeast portfolio and the acquisition of a significant portfolio of power generation facilities in the Western United States, which is expected to be beneficial due to anticipated continued power demand growth in the Northeast and West;

the acquisition of a portfolio of development projects that could provide future growth to New Dynegy, including the acquisition of LS Power Group's approximately 40% undivided interest in the Plum Point power generation facility (Plum Point), a large-scale greenfield coal-fired generation facility under construction in Arkansas, and access to the development expertise of the LS Contributing Entities, a power project developer with a proven track record;

immediate improvement to financial measurements tied to cash flow;

increased financial stability for New Dynegy compared to Dynegy as a result of the stable cash flows provided by the Contributed Entities' relatively new gas-fired generation assets with term offtake contracts and comparatively low capital expenditure requirements;

the benefits of consolidation to participants in the merchant power generation industry, consisting primarily of greater portfolio diversification and economies of scale;

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the ability to use stock as a significant part of the transaction consideration, resulting in an improved credit profile;

the terms of the current shareholder agreement with Chevron U.S.A. Inc. ( Chevron ) and the resulting impact of the Merger Agreement Transactions on Chevron 's share ownership; and

no taxable gain or loss will be recognized by Dynegy 's shareholders for U.S. federal income tax purposes as a result of the Merger Agreement Transactions.

For a more detailed discussion about Dynegy 's board of directors ' reasons for the Merger, please see The Merger Recommendation of the Dynegy Board; Reasons of Dynegy for the Merger Agreement Transactions.

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**Q: Are there any important risks related to the Merger or New Dynegy's business of which I should be aware?**

A: Yes, there are important risks involved. Before making any decision on whether and how to vote, Dynegy urges you to read carefully and in its entirety the section entitled "Risk Factors" beginning on page 25.

**Q: Who will manage New Dynegy after the Merger?**

A: Dynegy's chairman and chief executive officer, Bruce A. Williamson, along with the other members of Dynegy's current executive management team and Jason Hochberg, a current executive with the LS Power Group, will lead New Dynegy. See "Directors and Management of New Dynegy."

**Q: When do Dynegy, New Dynegy and the LS Contributing Entities expect to complete the Merger Agreement Transactions?**

A: Assuming that the Merger Agreement and the Merger are approved and adopted by Dynegy's shareholders and all conditions to the completion of the Merger Agreement Transactions are satisfied, the Merger Agreement Transactions are expected to be completed immediately after the special meeting of the shareholders.

**Q: Who is entitled to vote at the special meeting?**

A: Dynegy's shareholders as of the close of business on \_\_\_\_\_, 2007, which is the record date for the special meeting, are entitled to vote at the special meeting. As of \_\_\_\_\_, 2007, there were \_\_\_\_\_ shares of Dynegy's Class A common stock and 96,891,014 shares of Dynegy's Class B common stock issued and outstanding and entitled to be voted at the special meeting.

Each share of Dynegy's common stock outstanding on the record date will entitle its holder of record on such date to one vote on the Merger Agreement and the Merger.

**Q: Who can attend the special meeting?**

A: Because of limited seating, only Dynegy's shareholders, their proxy holders and Dynegy's guests may attend the special meeting. If you plan to attend the special meeting, you must be a shareholder of record as of \_\_\_\_\_, 2007 or, if you have beneficial ownership of shares of Dynegy's common stock held by a bank, brokerage firm or other nominee, you must bring a brokerage statement or other evidence of your beneficial ownership of Dynegy's common stock as of \_\_\_\_\_, 2007 to be admitted to the special meeting. For more detailed information about attending the special meeting, please see "The Special Meeting" Special Meeting Attendance.

**Q: What shareholder approvals are needed to approve the proposal?**

A: The adoption of the Merger Agreement and the approval of the Merger require the affirmative vote of two-thirds of the issued and outstanding shares of (i) Dynegy's Class A common stock voting as a class, (ii) Dynegy's Class B common stock voting as a class and (iii) Dynegy's Class A and Class B common stock voting together as a class.

Pursuant to the voting agreement, dated as of September 14, 2006, by and among Chevron and certain of the LS Contributing Entities, Chevron has agreed to vote its shares of Dynegy's Class B common stock in favor of the Merger Agreement and the Merger. Chevron is the holder of all of the issued and outstanding shares of Dynegy's Class B common stock. As of November 30, 2006, the shares of Dynegy's Class B common

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stock held by Chevron represented approximately 19.4% of Dynegy's outstanding common stock. In addition, Dynegy's executive officers have agreed to vote their shares of Dynegy's common stock in favor of the Merger Agreement and the Merger. As of November 30, 2006, Dynegy's executive officers had the right to vote less than 1% of the shares of Dynegy's common stock outstanding and entitled to vote at the special meeting.



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**Q: What happens if I sell my shares of Dynegy's common stock before the special meeting?**

A: The record date for the special meeting is \_\_\_\_\_, 2007. If you transfer your shares of Dynegy's common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will transfer the right to receive one share of New Dynegy's Class A common stock for each share of Dynegy's common stock you hold (if the Merger is completed) to the person to whom you transfer your shares.

**Q: If I would like to submit a proxy, what do I need to do now?**

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please submit your proxy as soon as possible so that your shares may be represented at the special meeting. If your shares are not held in street name, which means your shares are not held of record by your broker, bank or other nominee, you can submit your proxy (i) by mail by completing, signing and dating the enclosed proxy card and mailing it in the enclosed postage-prepaid envelope for receipt prior to the date of the special meeting or (ii) by telephone or through the Internet until 11:59 p.m. Eastern Time on \_\_\_\_\_, 2007. Instructions for voting by telephone or through the Internet are contained on the enclosed proxy card.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: Your broker, bank or other nominee will vote your shares for you only if you provide instructions to it on how to vote. Any failure to instruct your nominee on how to vote with respect to the Merger Agreement and the Merger will have the effect of a vote AGAINST the adoption of the Merger Agreement and the approval of the Merger. You should follow the directions your broker, bank or other nominee provides on how to instruct it to vote your shares. If your broker, bank or other nominee holds your shares and you wish to attend the special meeting, please bring a letter from your broker, bank or other nominee identifying you as the beneficial owner of the shares and authorizing you to vote at the special meeting.

**Q: What if I fail to instruct my broker?**

A: If you fail to instruct your broker to vote your shares of Dynegy's common stock and your broker submits an unvoted proxy, the resulting broker non-vote will have the same effect as a vote AGAINST the adoption of the Merger Agreement and the approval of the Merger.

**Q: What do I do if I want to change my vote or vote in person?**

A: You may revoke your vote at any time before the special meeting by:

executing and submitting a revised proxy (including by telephone or over the Internet);

sending written notice of revocation to Dynegy's secretary at the address provided at the beginning of this proxy statement/prospectus; or

voting in person at the meeting.

Unless a proxy is properly revoked, shares represented by proxies will be voted at the meeting.

**Q: What will happen if I do not send in my proxy or if I abstain from voting?**

A: If you do not send in your proxy or if you abstain from voting, it will have the effect of a vote AGAINST the adoption of the Merger Agreement and the approval of the Merger.

**Q: Should I send in my stock certificates now?**

A: No. If the Merger is completed and you hold stock certificates evidencing your shares of Dynegy's common stock, New Dynegy will send you written instructions for exchanging your Dynegy stock certificates.

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**Q: How will Dynegy solicit proxies?**

A: Proxies may be solicited by mail or facsimile, or by Dynegy's directors, officers or employees, without extra compensation, in person or by telephone. In addition, Dynegy has retained The Altman Group to assist in the solicitation of proxies. Dynegy will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of Dynegy's common stock.

**Q: What rights do I have to dissent from the Merger Agreement and the Merger?**

A: If you do not vote in favor of the adoption of the Merger Agreement and the approval of the Merger and the Merger is completed, you may dissent and obtain payment for the estimated fair value of your shares under Illinois law. You must, however, comply with all of the required procedures explained under The Merger Rights of Dynegy's Shareholders Dissenting from the Merger Agreement and Merger Proposal and in Annex F to this proxy statement/prospectus.

**Q: Who can help answer my questions?**

A: If you have any questions about the special meeting or the Merger Agreement or the Merger Agreement Transactions, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card, you may contact:  
Dynegy Inc.

1000 Louisiana Street, Suite 5800

Houston, Texas 77002

(713) 507-6400

Attention: Investor Relations Department

OR

The Altman Group

1200 Wall Street West, 3rd Floor

Lyndhurst, NJ 07071

(800) 311-8393

[dyninfo@altmangroup.com](mailto:dyninfo@altmangroup.com)

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**SUMMARY**

*This summary is qualified in its entirety by the more detailed information included elsewhere in this proxy statement/prospectus. Because this is a summary, it may not contain all of the information that is material or important to you. You should read this entire proxy statement/prospectus carefully, including the section entitled Risk Factors, as well as Dynegy's periodic and other reports filed with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act), before making a decision. See Where You Can Find More Information and Incorporation of Certain Documents by Reference.*

**The Companies**

**DYNEGY INC.**

1000 Louisiana Street

Suite 5800

Houston, Texas 77002

(713) 507-6400

Dynegy produces and sells electric energy, capacity and ancillary services in key U.S. markets. Dynegy's power generation portfolio currently consists of approximately 12,000 megawatts of generating capacity from baseload, intermediate and peaking power plants fueled by a mix of coal, oil and natural gas. Dynegy was incorporated in Illinois in 1999. Dynegy's Class A common stock is listed on the New York Stock Exchange (the NYSE) under the symbol DYN.

**LS CONTRIBUTING ENTITIES**

1700 Broadway, 35<sup>th</sup> Floor

New York, New York 10019

(212) 615-3456

The LS Contributing Entities consist of LSP Gen Investors, L.P., LS Power Partners, L.P., LS Power Equity Partners PIE I, L.P., LS Power Associates, L.P. and LS Power Equity Partners, L.P. The LS Contributing Entities are part of the LS Power Group, a leading privately held power plant investor, developer and manager. Founded in 1990, the LS Power Group is a fully integrated development, investment and asset management group of companies focused on the power industry. The LS Power Group's power generation portfolio consists of approximately 8,000 megawatts of generating capacity from primarily natural gas-fired power plants and a development portfolio of primarily coal-fired generation projects in various stages of development.

**NEW DYNEGY (CURRENTLY NAMED DYNEGY ACQUISITION, INC.)**

1000 Louisiana Street

Suite 5800

Houston, Texas 77002

(713) 507-6400

New Dynegy was formed in September 2006 as a Delaware corporation and is currently a wholly owned subsidiary of Dynegy. To date, New Dynegy has not conducted any activities other than those related to its formation and the completion of the Merger Agreement Transactions. Upon the completion of the Merger Agreement Transactions, New Dynegy's name will be changed to Dynegy Inc. and its Class A common stock will be listed on the NYSE under the symbol DYN, which is the symbol under which Dynegy's Class A common stock is currently listed on the

NYSE.

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**Organization of New Dynegy**

The organizational structure of New Dynegy will be included in the proxy statement/prospectus to be filed as part of an amendment to the registration statement of which this proxy statement/prospectus forms a part.

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### **New Dynegy's Business**

#### **General**

Upon the completion of the Merger Agreement Transactions, New Dynegy's primary business will be the production and sale of electric energy, capacity and ancillary services from its fleet of 30 power generation facilities, with approximately 20,000 MW of generating capacity, operating in 14 states.

In addition to its operating generation facilities, New Dynegy will own all of the LS Contributing Entities' approximate 40% undivided interest in Plum Point, a new, 665 MW coal-fired plant under construction in Arkansas. Through its interest in the Development LLC, New Dynegy will also own a 50% interest in a portfolio of greenfield development projects totaling more than 7,600 MW of generating capacity and repowering and/or expansion opportunities representing approximately 2,300 MW of generating capacity, thus providing New Dynegy with meaningful organic growth prospects.

#### **New Dynegy's Competitive Strengths**

After giving effect to the Merger Agreement Transactions, New Dynegy believes that the key strengths of its business will include:

*Scale and Diversity of Assets in Key Regions of the United States.* New Dynegy's portfolio will be diversified by fuel source, dispatch type and geography and should be well positioned to meet market needs by providing a variety of electric energy, capacity and ancillary services through both short- and long-term arrangements.

*Financial Stability.* New Dynegy will sell electric energy, capacity and ancillary services through a combination of bilateral negotiated forward contracts and spot transactions in regional central markets. New Dynegy's commercial strategy, similar to that of Dynegy, will be to construct a balanced portfolio of spot, mid- and long-term sales arrangements that provide sufficient cash flows to allow New Dynegy to meet liquidity and capital needs as well as provide shareholders with the opportunity to benefit from increasing commodity prices, whether as a result of short-term or long-term increases in demand.

*Proven and Mature Asset Development Platform; Repowering and Expansion Opportunities.* In addition to the interest in Plum Point, New Dynegy expects to benefit from the growth prospects offered by several development activities initiated by the LS Contributing Entities.

#### **Strategy**

New Dynegy expects that its business strategy will include the following:

*Employ a Commodity Cyclical Business Model.* New Dynegy intends to optimize its ability to sell electricity and capacity into the spot and bilateral markets when pricing is most attractive. This strategy is expected to be achieved through a diverse portfolio of assets using a combination of spot market sales and term contracts that are intended to capture both short-term and long-term market opportunities.

*Establish an Appropriate Capital Structure.* New Dynegy believes that the power industry is a commodity cyclical business with significant commodity price volatility and requiring considerable capital investment. New Dynegy believes that maximizing economic returns in this market environment requires a capital structure that can withstand power price volatility as well as a commercial strategy that captures the value associated with both short-term and long-term price trends. New Dynegy intends to employ a capital structure that is responsive to the market environment and its commercial strategy.





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*Focus on Operational Excellence.* New Dynegy will focus on maintaining and enhancing Dynegy's operating track record through increased plant availability, higher dispatch and capacity factors and improved cost controls. New Dynegy will also continue Dynegy's commitment to operating its facilities in a safe, reliable and environmentally compliant manner.

*Positioned for Regional Market Recovery.* New Dynegy will operate a balanced portfolio of generation assets that is diversified in terms of geography, fuel type and dispatch profile. As a result, New Dynegy believes its substantial coal-fired, baseload fleet should continue to benefit from the impact of higher natural gas prices on power prices in the Midwest and Northeast, allowing it to capture greater margins, while New Dynegy's efficient combined cycle units should provide meaningful cash flows and should benefit from improved margins as demand increases in the Western and New England markets.

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**The Merger and the Contributions**

*The Merger (Page 151)*

As part of the Merger, Merger Sub, a new, wholly owned subsidiary of New Dynegy, will merge with and into Dynegy, as a result of which Dynegy will become a wholly owned subsidiary of New Dynegy.

*Dynegy Shareholder Vote Required (Page 47)*

The adoption of the Merger Agreement and the approval of the Merger will require the affirmative vote of two-thirds of the issued and outstanding shares of (i) Dynegy's Class A common stock voting as a class, (ii) Dynegy's Class B common stock voting as a class and (iii) Dynegy's Class A common stock and Class B common stock voting together as a class. Each share of Dynegy's common stock outstanding on the record date will entitle its holder of record on such date to one vote on the adoption of the Merger Agreement and the approval of the Merger.

*What Dynegy Shareholders Will Receive in the Merger (Page 152)*

Upon completion of the Merger, each Dynegy shareholder will be entitled to receive one share of Class A common stock, par value \$0.01 per share, of New Dynegy for each share of common stock of Dynegy owned by such shareholder immediately prior to the closing of the Merger. The shares of Dynegy's outstanding Class B common stock, which are held b