

SANDRIDGE ENERGY INC
Form D
April 30, 2012

>

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Dynegy Inc.

(Name of Registrant as Specified in its Charter)

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Seneca Capital International Master Fund, L.P.

Seneca Capital, L.P.

Seneca Capital Investments, L.P.

Seneca Capital Investments, LLC

Seneca Capital International GP, LLC

Seneca Capital Advisors, LLC

Douglas A. Hirsch

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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SAVING DYNEGY:
THE NEXT CHAPTER
Seneca Capital
NOVEMBER 2010

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DISCLAIMER

This presentation contains forward-looking statements about future events and sets forth a presentation of our beliefs. The forward-looking statements are not guarantees of future performance, and we caution you not to rely unduly on them. We have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. While we consider these beliefs, expectations and assumptions to be reasonable, we cannot assure you that they will be realized. Business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict, may cause our actual performance to differ materially from our forward-looking statements. We caution you that the forward-looking statements are inherently uncertain and necessarily involve risks that may affect Dynegy's

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

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

CERTAIN INFORMATION CONCERNING THE PARTICIPANTS

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital International GP, LLC and Douglas A. Hirsch (together with each of the foregoing, "Seneca") have jointly made a proxy statement and an accompanying proxy card to be used to solicit votes in connection with the election of directors of Dynege by Denali Parent Inc. and Denali Merger Sub Inc., which will be voted on at a meeting of Dynege's stockholders.

SENECA ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS WHICH THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT NO CHARGE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, ONCE AVAILABLE, SENECA MAY PROVIDE COPIES OF THE PROXY STATEMENT. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR, GEORGESON, INC.

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

As of November 12, 2010, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of Dynege's common stock, representing beneficial ownership of approximately 6.4% of the Shares. As of November 12, 2010, Seneca Capital, L.P. beneficially owned 904,100 shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in the aggregate by Seneca Capital Investments, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may be deemed to beneficially own 904,100 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims beneficial ownership of the Shares, and this filing shall not be deemed an admission of beneficial ownership of such Shares for any purpose.

As of November 12, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held European-style call options on 7,712,100 and 904,100 shares, respectively at an exercise price of \$0.01 per share by delivery of notice of exercise as of April 15, 2011.

VOTE NO TO THE PROPOSED
MERGER

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WRONG PRICE

AT THE WRONG TIME FOR THE WRONG REASONS

We believe worth \$6/sh+ today rising to \$16-18 per as power prices recover, stock is trading near its all time low, management \$38 million change-of-control creates

misalignment with shareholders

PLAN FOR CHANGE

Highly regarded director candidates (Hunter Harrison / Jeff Hunter) nominated, additional high quality candidates (Steve Weyel, Jeffrey S. Stein) willing to serve - mandate to review business, costs, financing, management, reverse split

LIQUIDITY IS NOT

AN ISSUE

ISSUING EQUITY IS THE WRONG DECISION FOR SHAREHOLDERS

Un-drawn revolver does NOT create a liquidity crisis, there is NO need to issue equity, no major bond maturities until 2015, substantial cash and unencumbered assets to support secured financing

DARK/SPARK SPREAD RISING DESPITE GAS PRICES DECREASING

Despite decline in gas prices, forward gross margins have improved by ~\$135mm since the day the proposed merger was announced

SUBSTANTIAL SUPPORT FOR STOCK UPON DEFEAT OF MERGER

Fundamentals

have

improved

dramatically

since

day

before

the

deal

cost

cuts,

NRG sale price, commodity margins contribute an incremental \$3.50+ / share

Substantial incremental demand for Dynegy stock

THE POWER OF CHANGE

Seneca is filing a consent solicitation to elect E. Hunter Harrison and Jeff Hunter to the Board

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E. HUNTER HARRISON

Pioneering Rail
Executive

Former CEO
Canadian National
Railway
JEFF HUNTER
Successful Power
Industry Veteran
Co-Founder and Chief
Financial Officer
US Power Gen
STEVE WEYEL
Energy Veteran
Former President,
Director
Energy XXI
JEFFREY S. STEIN
Experienced Power
Investor
Director / Former
Director
Granite Ridge / KGen
PROPOSED
DIRECTORS
READY TO
SERVE

We believe some of the existing non-dissenting directors may step down based on their endorsement of management's scorched earth approach. Steve Weyel and Jeffrey S. Stein are ready to serve on the Board.

PLAN TO UNLOCK VALUE

Assuming 3:1 ratio, \$1.50 per share post-split stock price would likely require certain shorts to cover positions

5)

Unwind Stock Split

Employ top management that buys into the value proposition,
properly aligned through stock ownership

4)

Review Top Management

Thorough evaluation of corporate costs and support functions to
right-size the cost base

Lean cost structure should drive further financial improvement

3)

Evaluate Cost Cutting

Opportunities

Action

Result

Elect Hunter Harrison &

Jeff Hunter to Board,

Steve Weyel and Jeffrey

S. Stein ready to serve

Top quality Directors aligned with shareholders through direct
stock ownership

Revise director compensation to ensure alignment

1)

Strategic Review

Explore sale of company and/or assets

Proceeds could be used for liquidity, debt optimization or other
means of creating shareholder value

2)

Optimize Capital Structure

Revolver refinanced to align with business needs

Evaluation of additional financings / debt exchanges to extend
maturities and/or reduce costs

Evaluation of hedge monetization to enhance liquidity

5

DYNEGY S LIQUIDITY
ISSUE
IS A SCARE TACTIC
6
Unfunded
revolvers
do

not
cause
bankruptcy
The Company could retain flexibility to cancel the revolver or negotiate with its relationship
banks
Range of Liquidity Options at Dynegy's Disposal:
Dynegy
has
ample
liquidity
~\$675mm of cash on the balance sheet as of September 30, 2010
Portion of ~\$550mm collateral can be returned when hedges roll off over next 2 years and/or
through utilization of more efficient collateral structure
Secured
debt
markets
are
open
for
Dynegy
Project level debt can be raised against specific assets
Current management has assumed in its own merger proxy the Company can raise \$1.6bn of
new secured debt
Industry peers TXU, GenOn (RRI/MIR), NRG and Calpine have all raised new debt in the
past several months in addition to numerous asset-based project financings
Several
assets
we
believe
can
easily
be
sold
at
attractive
valuations
in
today's
market
Seneca has been approached by multiple industry players with interest in Dynegy's assets
Director
candidate
Jeff
Hunter
believes
Dynegy
has
sufficient
liquidity,
Hunter

Harrison
already
purchased
500,000
shares
Issuing
Equity
is
the
Wrong
Decision
for
Shareholders

ISSUING EQUITY IS THE WRONG
DECISION FOR SHAREHOLDERS

7

August 6:

No Equity Needed

Management assured financial community about financial condition

August 12:
No Equity Needed

Dissenting director and remainder of Board does not cite a need for equity if deal is turned down; Proxy assumes debt market access

October 20:
Equity Needed?!?

Only after Seneca files to oppose transaction does this supposed need

for equity arise

\$1,080mm Revolver

\$0 Drawn

Refinanced in

Advance of

Potential

Covenant Issue

in Q2 11

Negotiate / Resize

~\$750mm Revolver

DYN Proxy Assumption

\$850mm L/C Facility

~\$450mm Posted

Collateral needs

decline as hedges roll

off in 2011

Lien-Based Facility,

Right Way Risk

Used by All Other IPPs

\$68mm Secured

Corporate Debt

~\$4bn

(1)

of

unencumbered

collateral

\$600mm Term Loan /

\$250mm Second Lien

DYN Proxy Assumption

\$675mm of Cash

Can be used to

temporarily fund

collateral

No restrictions

Balance as of 9/30/10

TODAY

PRO FORMA

Asset Sales

~\$4bn Unencumbered

Plants

(1)
Strong Market for CCGTs
STRATEGY
Additional
Secured Debt
Available
Equity?!?
NOT NEEDED
ABSOLUTELY NOT
Proceeds Applied to:
Refinancing
Capex
Debt Optimization
Other Shareholder
Value Creating
Options

(1)
Based on Sum-of-the-Parts value (page 16) of Seneca Capital presentation filed with the SEC on November 5, 2010.

Year
2010
2011
2012
2013
2014
2015

Total
 Total Cash Need per Proxy (Incl. Debt Repayment)
 (\$437)
 (\$489)
 (\$107)
 (\$83)
 \$4
 (\$1,112)
 Ending Cash Balance
 \$1,282
 \$845
 \$356
 \$249
 \$166
 \$170
 Revolver Availability
 \$750
 \$750
 \$750
 \$750
 \$750
 \$750
 Total Liquidity
 \$2,032
 \$1,595
 \$1,106
 \$999
 \$916
 \$920
 Total Funded Debt 9/30/10
 \$3,975
 Term Loan and Second Lien Bond
 \$850
 Repayment of Existing Credit Facilities
 (\$68)
 Total Funded Debt at Year End
 \$4,757
 \$4,609
 \$4,446
 \$4,364
 \$4,364
 \$4,364
 NPV of Lease
 \$578
 \$524
 \$398
 \$295
 \$182
 \$57
 Cash Balance

(\$1,282)

(\$845)

(\$356)

(\$249)

(\$166)

(\$170)

Net Debt plus Lease

\$4,053

\$4,288

\$4,488

\$4,410

\$4,380

\$4,251

DYNEGY'S OWN PROXY ASSUMES

READY ACCESS TO FINANCING

8

Current management has assumed in its merger proxy that it believes the Company can raise \$1.6bn of new secured debt

Forecast provided to Blackstone and advisors assumes a \$750mm revolver (~6%),

\$600mm term loan (~6%) and \$250mm second lien debt (~10%)

Management

forecasts

already

include

incremental

interest

expense

for

credit

facility refinancing

suffer negative carry on excess cash

(1)

Assumes Dynegy's Operating Cash Flow less Total Capital Expenditures and a pro forma cash balance based on that forecast

(2)

Year end 2010 cash balance assumes \$500mm cash on hand at year-end 2010 (per page 22 of 10/27/10 Dynegy presentation) plus \$100mm from term loan and second lien bond minus \$68mm repayment of existing term loan.

(3)

Excludes collateral postings as they can be addressed through the use of more efficient hedging strategies.

Dynegy's

Own

Proxy

Forecast

Shows

Ample

Liquidity

(1)

(2)

(3)

Liquidity

Is

NOT

an

Issue

More than \$900mm of excess liquidity with
management's own forecast

2011-2015 Liquidity Sources and Uses
Dynegy
Seneca
Assumed cash on hand at year-end 2010
\$500
\$500
Return of cash posted as collateral

\$116
Asset sale proceeds
\$1,363
\$1,363
Liquidity sources
\$1,863
\$1,979
Assumed collateral
(\$450)

Cash outflow (2011-2015)
(\$1,112)
(\$1,112)
Liquidity cushion
(\$300)

Lost cash flow on assets sold (2011-2015), net
(\$365)
(\$365)
Liquidity uses
(\$2,227)
(\$1,477)
Net sources greater than uses
(\$364)
\$502

ASSET SALES ARE POTENTIAL
SOURCE OF LIQUIDITY

9

The NRG asset sale by itself would be enough to support Dynegy's liquidity needs through the forecast period (Seneca is not necessarily endorsing the NRG sale)

Management argues that the NRG transaction would not bridge the cash shortfall
Seneca calculates substantial cushion

Why does Dynegy need a cash cushion as large as \$300mm?

Why doesn't Dynegy receive return of its ~\$100mm of cash posted for collateral?

Why not utilize the same collateral efficient strategies as all other industry peers?

Why assume repayment of lowest cost debt at par with no discount captured?

\$450mm of collateral is NOT a permanent use of cash

\$116mm of cash posted as collateral as of 6/30/10 could be returned with a more efficient collateral structure

Why does Dynegy need a \$300mm liquidity cushion?

Seneca calculates **\$500mm** effective liquidity cushion

POWER PRICES INCREASED WHILE
GAS PRICES HAVE DECREASED

10

Source: Bloomberg.

85%

90%

95%

100%

105%

\$ 2.50

\$ 3.50

\$ 4.50

\$ 5.50

\$ 6.50

\$ 7.50

\$ 8.50

2012 CIN On-Peak is HIGHER

2012 NYMEX Gas Forwards are Lower

2012 7.0 Heat Rate On-

peak Spark Spreads

Are HIGHER

GROSS MARGINS HAVE INCREASED
WHILE GAS HAS DECREASED

The announcement of the proposed merger is the relevant date
Natural gas forward prices have declined since August 12

But Midwest forward power prices in 2012
2014 are actually higher

Since August 12, Dynegy's expected gross margin should have increased by ~\$135mm due to increasing profitability of Dynegy's CCGTs and stable Midwest power prices (see appendix for plant by plant detail)

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While Gas Has Declined, Profits Have Expanded

Cinergy ATC Power Price (\$ / MWh)

8/12/2010

\$32.05

\$34.21

\$36.97

\$40.37

\$44.09

11/11/2010

\$31.44

\$34.83

\$38.33

\$41.02

\$43.98

Change

(\$0.62)

\$0.62

\$1.36

\$0.66

(\$0.10)

2011

2012

2013

2014

2015

NYMEX Gas Prices (\$/MMBtu)

8/12/2010

\$4.96

\$5.37

\$5.56

\$5.69

\$5.81

11/11/2010

\$4.29

\$4.96

\$5.33

\$5.56

\$5.73

Change

(\$0.67)

(\$0.41)

(\$0.23)

(\$0.13)

(\$0.08)

(1)

Accounts for Dynegy's hedge profile.

Change in Gross Margin due to Power/Gas Curve Shifts (8/12/10 vs. 11/11/10)

(\$ in millions)

2011

2012

2013

2014

2015

Coal Plants

\$0

\$6

\$18

\$1

(\$17)

Combined Cycle Gas Plants

0

30

38

28

33

Total

0

35

56

29

16

Total Impact (2011 - 2015)

\$136

(1)

(1)

DYNEGY'S NATURAL GAS SENSITIVITY
IS A MISLEADING ILLUSTRATION

12

Management Notes Midwest Power Markets Are Set By Coal

Management Admits Sensitivity is Illustrative

MISO power is set by coal ~80-85% of the
time and set by gas ~15-20% of the time

Illustrative
gas
sensitivity of \$165mm
incorrectly assumes MISO
power is set by gas 100%
of the time!

Source: Dynegy's February 2, 2010 presentation from the
2010 Credit Suisse Energy Summit

WHERE WILL DYNEGY TRADE?
WE THINK HIGHER!

13

The Lights Have Been Turned On:

Several materially positive developments since the stock was trading near

its
all
time
lows
of
\$2.78
on
August
12
Major
cost
cut
potential
announced
with
the
deal,
NRG
asset
sale
price
in
excess
of
expectations,
improved
2010
free
cash
flow
guidance
and
improved
CCGT
spark
spreads
\$50mm cost cuts
disclosed in
merger proxy x 6 -
\$25mm costs to
achieve & 25%
discount
2010 FCF
guidance improved
\$38mm from 8/6 to
11/8
NPV of change
gross margin for
the 2011-15 period
from 8/12/10

through 11/11/10

Assumes \$25mm

costs related to

deal expenses,

and severance

Based on Citi

Investment

Research

valuation

(1)

with 25

-50% discount

Substantial Incremental Buying Interest After Defeat of Deal

(1)

Citi Investment Research valuation of Dynegy dated February 25, 2010. Total plants sold to NRG valued at \$1,157mm and co
valuation of \$8.25/share (\$1.65 pre-split).

th

\$6.29 -

\$6.71

\$0.85 -

\$1.28

\$0.84

\$0.31

\$1.71

\$2.78

\$1.00

\$2.00

\$3.00

\$4.00

\$5.00

\$6.00

\$7.00

\$8.00

Pre-Deal Stock Price

New Cost Cut

Disclosure Presented

in Merger Proxy

Increase in Free Cash

Flow Guidance Since

Deal Announcement

Improvement in

Commodity Prices

Since Deal

Announcement

Friction Costs

Associated With

Failed Transaction

Uplift in Wall Street

View of Asset Value

from NRG Bid

Total of Quantifiable

Factors

\$7.43/SH if Dynegy had traded in line with merchant peers since 3/12

\$0.21

DYNEGY IS A RARE COMMODITY

14

Dynegy is one of ONLY 14 companies (>\$200mm market cap) IN THE ENTIRE US MARKET trading at a discount to its cash on the balance sheet

Dynegy is the only power generation / industrial company

Over 95% of Dynegy's funded debt is comprised of unsecured bonds

Dynegy's bonds provide unusual flexibility given no limitations on liens/asset sales/restricted payments

ONE OF ONLY A HANDFUL OF STOCKS TRADING AT A DISCOUNT TO CASH
ALL US STOCKS TRADING AT A DISCOUNT TO CASH ON BALANCE SHEET

(1)
BELOW \$200MM IN MARKET CAPITALIZATION

Ticker

Name

Industry

Stock Price

B/S Cash

Per Share

Discount

to Cash

1

CCMO

CC MEDIA-A

RADIO/OUTDOOR ADVERTISING

\$8.00

\$20.84

(62%)

2

AMR

AMR CORP

AIRLINE

\$8.52

\$13.67

(38%)

3

CMVT

COMVERSE TECH

TELECOM EQUIPMENT

\$7.63

\$11.69

(35%)

4

BZH

BEAZER HOMES USA

HOMEBUILDER

\$4.64

\$6.24

(26%)

5

HOV

HOVNANIAN ENT-A

HOMEBUILDER

\$3.96

\$5.28

(25%)

6

LSTZA

LIBERTY STARZ A

MEDIA

\$62.73

\$80.08

(22%)

7

MDC

MDC HOLDINGS INC

HOMEBUILDER

\$27.66

\$35.19

(21%)

8

DYN

DYNEGY

POWER GENERATION

\$4.50

\$5.63

(20%)

9

EK

EASTMAN KODAK

PHOTO EQUIPMENT

\$4.63

\$5.19

(11%)

10

LCC

US AIRWAYS GROUP

AIRLINE

\$10.63

\$12.01

(11%)

11

ZRAN

ZORAN CORP

TECHNOLOGY

\$6.98

\$7.47

(7%)

12

RYL

RYLAND GROUP INC

HOMEBUILDER

\$15.91

\$16.70

(5%)

13

ADPT

ADPT CORP

TECHNOLOGY

\$3.00

\$3.09

(3%)

14

HUM

HUMANA INC

HEALTH CARE

\$59.20

\$59.80

(1%)

SOURCE: BLOOMBERG

(1) Proforma

for mergers

DYNEGY IS MORE OF A CAPACITY
PLAY THAN A GAS PLAY

15

Although we endorse unlevered free cash flow as the best metric to value Dynegy, when considering EV/EBITDA we believe it is appropriate to include the market price of Dynegy's debt. Dynegy multiples can benefit dramatically from improving capacity values and when accounting for discount implied in trading levels of its debt.

(\$ in millions)

(1)

Net debt includes cash posted for collateral in broker margin account and excludes NPV of lease and includes \$50mm annual r

(2)

Debt market prices as of 11/10/10.

(3)

EV@Market Price is Enterprise Value adjusting for debt at market prices

(4)

Note 11 of Dynegy 2006 10-K.

(5)

Dynegy Presentation to Proxy Advisory Firms dated October 27, 2010 page 19 states If asset retirements do not materialize, average of \$85 million each year from 2013 2015

(6)

Based on 2,241mw of scrubbed coal and 1,200mw Kendall CCGT.

2011

2012

2013

Stock Price

\$4.50

\$4.50

\$4.50

Shares

121

121

121

Equity Value

\$543

\$543

\$543

Net Debt as of 6/30/10

(1)

\$3,371

\$3,371

\$3,371

Enterprise Value

\$3,914

\$3,914

\$3,914

Market Price vs. Book Value of Debt

(2)

(\$912)

(\$912)

(\$912)

EV @ Market Price

(3)

\$3,001

\$3,001

\$3,001

Adj EBITDA in Merger Proxy

\$405

\$348

\$538

Site Purchase Accounting Adjustment

(4)

\$50

\$50

\$50

Removal of Market Recovery Assumption

(5)

(\$85)

Adj Cash EBITDA Without Market Recovery

\$455

\$398

\$503

Benefit of \$150/MWd Increase in MISO/RTO

(6)

\$188

\$188

\$188

Cash EBITDA with Capacity Uplift

\$643

\$586

\$691

Enterprise Value / Cash EBITDA

8.6x

9.8x

7.8x

Enterprise Value / Cash EBITDA with Capacity Uplift

6.1x

6.7x

5.7x

EV @ Market Price / Cash EBITDA

6.6x

7.5x

6.0x

EV @ Market Price / Cash EBITDA with Capacity Uplift

4.7x

5.1x

4.3x

DYNEGY RECENTLY DISCLOSED 2016
FORECAST
THE FUTURE IS BRIGHT
16
2016 Unlevered Free Cash Flow Yield
2016 EBITDA
\$654

Lease Expense
\$50
Maintenance Capex
(\$87)
Unlevered Free Cash Flow
\$617
Enterprise Value As of 6/30/10
\$4,547
2011 - 2015 Cash Outflow
\$1,112
Debt Maturities Paid in Cash
(\$393)
Change in NPV of Lease
(\$576)
Change in Net Debt from 2011-2015
\$143
Enterprise Value As of 12/31/15
\$4,690
Unlevered Free Cash Flow Yield
13.2%

On
November
8,
2010
Dynegy
disclosed
(pursuant
to
the
settlement
of
certain

shareholder lawsuits) the 2016 EBITDA projection that had been previously provided to its financial advisors in conjunction with the proposed merger

Why was this 2016 projection not included in Dynegy's original proxy statement or in their financial advisors analysis?

Management's own 2016 forecast implies substantial uplift over prior years

Implies 2016 Unlevered
Free Cash Flow Yield of 13.2%

Management's 2016 Forecast Confirms Seneca's Investment Thesis
IRRs to 2015

Low
Mid
High
2016 Unlevered Free Cash Flow
\$617
\$617
\$617
Yield

9.5%

8.5%

7.5%

Enterprise Value

\$6,495

\$7,259

\$8,227

Net Debt plus lease 12/31/15

(\$4,147)

(\$4,147)

(\$4,147)

Equity Value

\$2,348

\$3,112

\$4,080

Shares Outstanding

120.6

120.6

120.6

Equity Value per Share

\$19

\$26

\$34

IRR vs. \$4.50 Investment Today

34.0%

41.8%

49.7%

ADDITIONAL DISCLOSURE FILLS
IN THE PICTURE

17

Supplemental disclosure on November 8, 2010 as a result of shareholder litigation settlement:

Increased EBITDA:

Disclosed 2016 EBITDA of \$654mm vs. \$557mm in 2015

Management Not Capable of Capturing Discount?:

Board determined that

Dynegy unlikely to be able to purchase debt at market prices because Dynegy paid above par in a debt repurchase in 2009

Extensive Process?:

In June/July, management determined not to pursue transaction discussions with two interested private equity firms, and only included them after the proposed merger was announced and substantial barriers to entry were erected

Considered Alternatives?:

In late July, Company decided not to contact buyers to gauge interest in asset sales

Retention Plan?:

In late July Blackstone noted they expect to put a retention program

in

place

given

the

substantial

change-in-control

payments

potentially

available to management

Actions Speak Louder Than Words

MANAGEMENT
INCENTIVE IS TO SELL

Management would receive only \$6 million, (nearly \$32 million less than the change-of-control severance package) in a stand-alone scenario at \$6.50 per share:

Stock equivalents includes 817,305 shares of restricted stock and phantom stock combined

Management has options on 653,410 shares with a strike price of \$5.65
Management has additional options on 346,543 shares with a strike price of \$7.20, which are out of the money at \$6.50

Performance

units

are

deemed

worthless

as

a

\$6.50

stock

price

is

below

the minimum threshold (\$12.50 per share) and current EBITDA forecasts

are below the threshold levels

18

(\$ in millions)

Change of

No Change of

Control @ \$4.50

Control @ \$6.50

Increase /

per Share

per Share

(Decrease)

Stock Equivalents

\$3.7

\$5.3

\$1.6

Performance Units

9.8

-

(9.8)

Severance

24.1

-

(24.1)

Stock Options (in-the-money value)

-

0.6

0.6

Total
\$37.6
\$5.9
(\$31.7)

**HIGHLY RESPECTED BOARD
CANDIDATES**

Seneca will conduct a Consent Solicitation to Add Two New Directors to the Dynege Board

Seeking

to

replace

only

two
of
six
directors
at
this
juncture
in
order
to
avoid
triggering
change-
of-control in Dynegy's credit facility and executive compensation agreements
Seneca is proposing to replace Bruce Williamson and David Biegler
E. Hunter Harrison
Leading Railroad CEO
Former Chief Executive Officer, Canadian National Railway
Proven
Shareholder
Value
Creator:
Total
shareholder
return
of
more
than
500%
at
CN
and
substantial
multiples
of
invested
capital
realized
during
tenure
at
Illinois
Central
Drives
cost
efficiencies:
developed
the
concept
of

precision
railroading
increasing
CN s
operating
margins by 50% and by multiples at IC
Add
value
to
coal
transportation
-
significant
value
driver
for
Dynegy
Currently an owner of 500,000 shares of Dynegy stock
Jeff Hunter
Experienced Power Generation Executive
Co-Founder/Chief Financial Officer US Power Generation Company
Proven
Shareholder
Value
Creator:
Generated
a
two-to-three
times
return
for
USPG
investors
since
2005, based on market estimates
Drives
cost
efficiencies:
successfully
reduced
SG&A
expenses
by
33%
and
led
the
reduction
of
collateral requirements by more than 50% at USPG

Expert in energy risk management (El Paso Energy / PA Consulting)

Experienced in managing complicated capital structures / liquidity

Commits to owning 300,000 shares

Mr. Hunter and Seneca believe that US Power Gen and Dynegy are not actual or potential competitors

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AND READY TO SERVE

We believe that non-dissenting directors who have endorsed management's scorched-earth approach in defending the sale

of
the
company
at
\$4.50
per
share
(\$0.90
per
share
adjusted

for reverse split) and endorsed the buyback of 30% of Dynegy in August 2009 at \$9.65 per share could likely step down once the proposed merger is defeated

Seneca stands ready to propose additional highly-qualified directors in the event existing directors step down

Steve Weyel

Experienced Power / Energy Company Executive

Co-Founder and Former President/COO, Director of Energy XXI

Built EXXI from start-up into leading Gulf of Mexico shelf operator

Former

President

and

COO

of

Intergen

(Shell/Bechtel

power

venture)

Director experience includes Particle Drilling, Energy XXI

Former Executive of Dynegy (1994-1999)

Jeffrey S. Stein

Experienced Investor With Deep Industry Knowledge

Co-Founder, Principal, Durham Asset Management

Director

of

Granite

Ridge

Holdings,

LLC

752MW

CCGT

in

New

Hampshire

Former

Director

of

KGen

Power

Corporation

2,300MW

gas

portfolio

in

SERC

Experienced investor in complicated, credit-focused situations

Will take whatever steps he is able to resolve any unlikely conflicts

20

CONCLUSION

21

PLAN IN PLACE TO UNLOCK VALUE AFTER REJECTION OF THE DEAL

Two

high

quality

directors,

Hunter
Harrison
and
Jeff
Hunter
buy
into
Dynergy
value proposition
with significant stock ownership/commitment to create alignment

Additional
directors,

Steve
Weyel
and
Jeffrey
S.

Stein
are
ready
to
serve

Go forward plan

1) strategic review of business/assets, 2) optimize capital structure, 3) evaluate
costs cuts, 4) review top management, 5) explore reverse split unwind

DYNEGY S LIQUIDITY IS NOT AN ISSUE

Un-drawn
revolver
CANNOT
create

a
liquidity
issue

Dynergy
proxy
forecast

already assumes

\$1.6bn of new secured debt

NO EQUITY NEED -

~\$675mm cash on hand and ~\$4billion of unencumbered assets

NOT A BET ON RISING NATURAL GAS

At
low
gas
prices,
improved
margins
on
gas

plants
offset
decline
in
coal
margins
Management s
gas
sensitivity
overstates
gas
exposure,
coal
plants
on
margin
80-85%
SUPPORT
FOR
STOCK
AFTER
PROPOSED
MERGER
IS
DEFEATED

SENECA
FULLY
ALIGNED

Since deal announced, new fundamental factors add up to \$3.50/sh+ in value
\$50 mm incremental cost cuts, NRG Asset sale price in excess of Street estimates and
increased gross margins, despite decline in gas prices

One of few stocks in market trading at a discount to cash, 2016 EBITDA of \$654MM

Substantial incremental buying power upon defeat of proposed merger

Seneca Is Fully Aligned with Shareholders

APPENDIX
22

DIRECTOR NOMINEE:
E. HUNTER HARRISON
Canadian
National
Railway
Company
(CN)

(1998

-

2009):

Joined

as

EVP

and

COO

in 1998, becoming a director in 1999 and President and CEO in 2003.

Total shareholder return of more than 500%

during his tenure with the Company

compared to the S&P 500 return of 24% and the average total shareholder return of the other North American Class I Railroads of 153%

(1)

Improved the company's operating margin from ~22% in 1997 to more than 33% in

2009

Illinois

Central

Railroad

(1989

1998):

Joined

in

1989

as

Vice

President

and

COO

and rose through the ranks to become President and CEO in 1993. CN acquired Illinois Central in 1998.

Sponsors

realized

unlevered

returns

that

were

multiples

of

their

initial

investment

Improved the company's operating margins from single digits to in excess of 37% in

1996, three years after he was named Illinois Central's CEO

Widely recognized as a world class business leader

2009

International

Business

Leader

of
the
Year,
Canadian
Chamber
of
Commerce
2007
CEO
of
the
Year,
the
Globe
and
Mail s
Report
on
Business
magazine
Railroader
of
the
Year,
Railway
Age
magazine

Current and past directorships include American Association of Railroads, Belt Railway, Terminal Railway, Wabash National Corp, Illinois Central Railroad and TTX Company

23
(1) Comparable company group includes BNI, CSX, NSC and UNP.

DIRECTOR NOMINEE:

JEFF HUNTER

US

Power

Generating

Company

(2003

-
Present):
Co-founder
and
CFO
of
US
Power Generating Company, an owner and operator of fifty-eight generating
units at six facilities with a total capacity of over 5,000 megawatts (MW)

Total
shareholder
return
of
two-to-three
times
since
initial
equity
investment

in 2005, based on market estimates

Lead a successful effort to reduce overhead costs by 33% and collateral
requirements by more than 50%

Raised more than \$1.2bn in debt and equity financings

PA
Consulting
Group
(1998

-
2003):

Mr.
Hunter
was
a
Partner
with
PA

Consulting Group and global practice head of Energy Strategy & Risk
Management where he built a global practice focused on opportunities
presented in liberalizing markets, privatization, market restructuring, acquisitions
and

management/operations
improvement

in
the
power
&
natural
gas
sector.

El

Paso
Energy
(1992
-
1998):
Vice
President
Trading
for
El
Paso
Energy

where he integrated several trading and marketing organizations during El Paso's acquisitive period in the mid to late 1990s.

Led a team of 40 trading professionals in managing a 2 BCF per day physical gas trading operation.

24

READY TO SERVE:
STEVE WEYEL
Energy
XXI
Ltd.
(2005

-

2010):

Formerly
Co-founder,
President
and
Chief
Operating

Officer of Energy XXI, a Gulf of Mexico-based oil and gas producer with more than 75 million barrels of oil equivalent (BOE) of proved reserves and about 26,000 BOE per day of production.

EnerVen,
LLC
(2002

2005):

Principal
and
President/COO
of
EnerVen,
a
company

developing and supporting strategic ventures in the emerging energy industry.

InterGen
North
America
(1999

2002):

President
and
COO
of
InterGen
North

America, a Shell-Bechtel joint venture in the merchant gas and power business.

Dynegy
Corporation
(NGC
Corporation)
(1994-1999):

Served
in

various
executive

leadership positions, including Executive Vice President, Integrated Energy and Senior Vice President, Power Development.

Resource
Technology
Corporation

(1983

1994):

Owned

Resource

Technology

Corporation, a company that identified a new market opportunity based on evolving technology, and created the global engineering leader in onsite energy commodity reserves evaluation

Baker-Hughes

(Baker

Eastern)

(1976

1983):

Worked

in

numerous

strategic

growth

roles including Managing Director for the Western Hemisphere.

25

READY TO SERVE:
JEFFREY S. STEIN
Durham
Asset
Management
(2003

2009):

Co-founder

and

Principal

of

\$1.5bn asset management firm focused on distressed debt and special situations asset class.

Responsible for managing Durham's substantial investments in the merchant power, electric utility and energy industries

Formerly a member of the Board of Directors of KGen Power Corporation, an independent power producer that owns more than 2,300MW of power generation capacity in the Southeast US

Member of the Board of Directors of Granite Ridge Holdings, LLC,

an

independent power producing entity that owns the Granite Ridge Generation facility, a 752MW CCGT in the Northeastern US.

The Delaware Bay Company, Inc.

(1997

2003): Director at boutique research

and investment banking firm focused on the distressed debt and special situations asset classes, where he was responsible for identifying and evaluating distressed investment opportunities in the energy, financial services, merchant power, retail, real estate and utility industries.

Shearson

Lehman

Brothers

(1991

1995):

Responsible

for

providing

fundamental research and investment recommendations for public and private real estate limited partnerships in the Capital Preservation & Restructuring

Group.

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NATURAL GAS SENSITIVITY:
MIDWEST COAL (11/11 vs. 8/12)

27

(1)

Assumes

that

Vermillion

(164
MW)
is
shut
down
at
the
end
of
2011
and
Hennepin

(293
MW)
is
shut
down
at
the
end
of
2013,

consistent with management forecast assumptions (see Merger Proxy, page 56).

2011
2012
2013
2014
2015

Capacity (MW)

(1)
3,144
2,980
2,980
2,687
2,687

Capacity factor

85.0%
85.0%
85.0%
85.0%
85.0%

Generation (millions of MWh)

23.4
22.2
22.2
20.0
20.0

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

8/12/2010
\$32.05

\$34.21

\$36.97

\$40.37

\$44.09

11/11/2010

31.44

34.83

38.33

41.02

43.98

Change - \$ / MWh

(0.62)

0.62

1.36

0.66

(0.10)

Unhedged revenue impact (\$ mm)

(\$14)

\$14

\$30

\$13

(\$2)

% Hedged

100%

15%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

\$12

\$30

\$13

(\$2)

NATURAL GAS SENSITIVITY:
DANSKAMMER (11/11 vs. 8/12)

28

2011

2012

2013

2014

2015

Generation (MWh @ 85% capacity factor)

2.8

2.8

2.8

2.8

2.8

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

8/12/2010

\$50.30

\$53.16

\$56.40

\$58.68

\$62.01

11/11/2010

46.52

49.42

51.86

\$54.20

\$56.52

Change - \$ / MWh

(3.78)

(3.74)

(4.55)

(4.48)

(5.48)

Unhedged revenue impact (\$ mm)

(\$10)

(\$10)

(\$13)

(\$12)

(\$15)

% Hedged

100%

40%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$6)

(\$13)

(\$12)

(\$15)

NATURAL GAS SENSITIVITY:

ONTELAUNEE (11/11 vs. 8/12)

29

2011

2012

2013

2014

2015

Capacity (MW)

580

580

580

580

580

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

2.4

2.4

2.4

2.4

2.4

8/12/2010

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

57.08

59.08

61.41

63.84

67.45

TETCO M3 gas price (\$ / MMBtu)

5.45

5.81

5.97

6.10

6.22

Plus: Basis (\$ / MMBtu)

0.05

0.05

0.05

0.05

0.05

Delivered gas price (\$ / MMBtu)

5.50

5.86

6.02

6.15

6.27

Spark Spread (\$ / MWh

@ 7,100 heat rate)

18.03

17.47

18.65

20.17

22.90
 11/11/2010
 PJM East on-peak power price (\$ / MWh)
 55.27
 58.64
 62.13
 64.78
 68.02
 TETCO M3 gas price (\$ / MMBtu)
 4.79
 5.38
 5.72
 5.95
 6.12
 Plus: Basis (\$ / MMBtu)
 0.05
 0.05
 0.05
 0.05
 0.05
 Delivered gas price (\$ / MMBtu)
 4.84
 5.43
 5.77
 6.00
 6.17
 Spark Spread (\$ / MWh
 @ 7,100 heat rate)
 20.90
 20.07
 21.18
 22.20
 24.22
 Change -
 \$ / MWh
 2.87
 2.60
 2.53
 2.03
 1.33
 Unhedged
 revenue impact (\$ mm)
 \$7
 \$6
 \$6
 \$5
 \$3
 % Hedged
 100%
 15%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

\$5

\$6

\$5

\$3

NATURAL GAS SENSITIVITY:

KENDALL (11/11 vs. 8/12)

30

2011

2012

2013

2014

2015

Capacity (MW)

1,200

1,200

1,200

1,200

1,200

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

5.0

5.0

5.0

5.0

5.0

8/12/2010

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

38.98

40.63

42.26

44.33

47.84

Chicago City Gate gas price (\$ / MMBtu)

4.95

5.34

5.54

5.67

5.83

Plus: Basis (\$ / MMBtu)

0.10

0.10

0.10

0.10

0.10

Delivered gas price (\$ / MMBtu)

5.05

5.44

5.64

5.77

5.93

Spark Spread (\$ / MWh

@ 7,400 heat rate)

1.57

0.39

0.56

1.65

3.94
 11/11/2010
 PJM West (COMED) on-peak power price (\$ / MWh)
 38.17
 42.06
 45.46
 47.41
 49.07
 Chicago City Gate gas price (\$ / MMBtu)
 4.34
 4.96
 5.32
 5.54
 5.71
 Plus: Basis (\$ / MMBtu)
 0.10
 0.10
 0.10
 0.10
 0.10
 Delivered gas price (\$ / MMBtu)
 4.44
 5.06
 5.42
 5.64
 5.81
 Spark Spread (\$ / MWh
 @ 7,400 heat rate)
 5.28
 4.59
 5.33
 5.66
 6.07
 Change -
 \$ / MWh
 3.71
 4.20
 4.77
 4.01
 2.13
 Unhedged
 revenue impact (\$ mm)
 \$19
 \$21
 \$24
 \$20
 \$11
 % Hedged
 100%
 23%

23%

23%

23%

Net revenue impact to Dynegy (\$ mm)

\$0

\$16

\$18

\$15

\$8

NATURAL GAS SENSITIVITY:

CASCO BAY (11/11 vs. 8/12)

31

2011

2012

2013

2014

2015

Capacity (MW)

540

540

540

540

540

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

2.3

2.3

2.3

2.3

2.3

8/12/2010

NEPOOL on-peak power price (\$ / MWh)

53.43

56.26

58.73

61.50

65.01

Less: Basis (\$ / MWh)

(4.50)

(4.50)

(4.50)

(4.50)

(4.50)

Est. Casco Bay on-peak power price (\$ / MWh)

48.93

51.76

54.23

57.00

60.51

Dawn, ON gas price (\$ / MMBtu)

5.23

5.55

5.70

5.79

5.93

Plus: Basis (\$ / MMBtu)

0.25

0.25

0.25

0.25

0.25

Delivered gas price (\$ / MMBtu)
 5.48
 5.80
 5.95
 6.04
 6.18
 Spark Spread (\$ / MWh @ 7,400 heat rate)
 8.37
 8.80
 10.18
 12.28
 14.75
 11/11/2010
 NEPOOL on-peak power price (\$ / MWh)
 50.93
 54.50
 57.69
 59.94
 62.61
 Less: Basis (\$ / MWh)
 (4.50)
 (4.50)
 (4.50)
 (4.50)
 (4.50)
 Est. Casco Bay on-peak power price (\$ / MWh)
 46.43
 50.00
 53.19
 55.44
 58.11
 Dawn, ON gas price (\$ / MMBtu)
 4.63
 5.21
 5.49
 5.72
 5.89
 Plus: Basis (\$ / MMBtu)
 0.25
 0.25
 0.25
 0.25
 0.25
 Delivered gas price (\$ / MMBtu)
 4.88
 5.46
 5.74
 5.97
 6.14
 Spark Spread (\$ / MWh @ 7,400 heat rate)

10.32

9.60

10.69

11.30

12.69

Change - \$ / MWh

1.95

0.79

0.51

(0.98)

(2.05)

Unhedged revenue impact (\$ mm)

\$4

\$2

\$1

(\$2)

(\$5)

% Hedged

100%

40%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

\$1

\$1

(\$2)

(\$5)

NATURAL GAS SENSITIVITY:

INDEPENDENCE

(11/11 vs. 8/12)

32

2011

2012

2013

2014

2015

Capacity (MW)

1,064

1,064

1,064

1,064

1,064

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

4.4

4.4

4.4

4.4

4.4

8/12/2010

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

40.04

40.90

42.07

41.79

44.31

Transco Zone 6 gas price (\$ / MMBtu)

5.52

5.88

6.01

6.17

6.30

Spark Spread (\$ / MWh @ 7,300 heat rate)

(0.26)

(2.02)

(1.84)

(3.25)

(1.69)

11/11/2010

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

39.66

42.14

45.22

47.13

48.54

Transco Zone 6 gas price (\$ / MMBtu)

4.82

5.44

5.76

5.99
6.17
Spark Spread (\$ / MWh @ 7,300 heat rate)
4.47
2.41
3.20
3.37
3.53
Change - \$ / MWh
4.74
4.44
5.04
6.61
5.22
Unhedged revenue impact (\$ mm)
\$21
\$20
\$22
\$29
\$23
% Hedged
100%
70%
70%
64%
0%
Net revenue impact to Dynegy (\$ mm)
\$0
\$6
\$7
\$11
\$23

NATURAL GAS SENSITIVITY:
MOSS LANDING 1&2 (11/11 vs. 8/12)

33
2011
2012
2013
2014

2015

Capacity (MW)

1,020

1,020

1,020

1,020

1,020

Capacity factor

57%

57%

57%

57%

57%

Generation (millions of MWh)

5.1

5.1

5.1

5.1

5.1

8/12/2010

NP-15 on-peak power price (\$ / MWh)

44.55

49.61

52.94

57.58

59.55

PG&E South gas price (\$ / MMBtu)

4.70

5.12

5.35

5.50

5.64

Plus: Basis (\$ / MMBtu)

0.30

0.30

0.30

0.30

0.30

Delivered gas price (\$ / MMBtu)

5.00

5.42

5.65

5.80

5.94

Spark Spread (\$ / MWh

@ 7,300 heat rate)

8.03

10.01

11.68

15.21

16.20
 11/11/2010
 NP-15 on-peak power price
 40.91
 47.87
 52.70
 56.53
 59.50
 PG&E South gas price (\$ / MMBtu)
 4.19
 4.82
 5.17
 5.37
 5.54
 Plus: Basis (\$ / MMBtu)
 0.30
 0.30
 0.30
 0.30
 0.30
 0.30
 Delivered gas price (\$ / MMBtu)
 4.49
 5.12
 5.47
 5.67
 5.84
 Spark Spread (\$ / MWh
 @ 7,300 heat rate)
 8.16
 10.50
 12.79
 15.12
 16.90
 Change -
 \$ / MWh
 0.13
 0.49
 1.11
 (0.09)
 0.70
 Unhedged
 revenue impact (\$ mm)
 \$1
 \$3
 \$6
 (\$0)
 \$4
 % Hedged
 100%
 50%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

\$1

\$6

(\$0)

\$4

VALUATION SUPPORTS SIGNIFICANT
UPSIDE IN DYNEGY STOCK

34

Seneca's sum-of-the-parts analysis indicates Dynegy is worth greater than \$6 per share today and up to \$16-18 in a recovery scenario

Environmental capital expenditures are already included in the DCF-based value of scrubbed coal on an NPV basis, along with associated contracts

Full SG&A and corporate overhead costs are already included
Seneca ties its sum-of-the-parts to management's EBITDA guidance
Management claims of additional overhead costs appear misguided

CERTAIN INFORMATION CONCERNING THE PARTICIPANTS

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

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

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

As of November 12, 2010, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of Dynegy's common stock, par value \$0.01 per share ("Shares"), representing beneficial ownership of approximately 6.4% of the Shares. As of November 12, 2010, Seneca Capital, L.P. beneficially owned 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, and Mr. Hirsch may be deemed to beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in the aggregate by Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may be deemed to beneficially own 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims beneficial ownership of the Shares except to the extent of its or his pecuniary interest therein, and this filing shall not be deemed an admission of beneficial ownership of such Shares for any purpose.

As of November 12, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held European-style call options, providing the right to purchase 1,986,900 and 904,100 shares, respectively at an exercise price of \$0.01 per share by delivery of notice of exercise as of April 15, 2011.