

DYNEGY INC.
Form PRRN14A
February 10, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN CONSENT STATEMENT

SCHEDULE 14A INFORMATION

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

(Amendment No. 3)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Consent Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Consent Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Dynegy Inc.

(Name of registrant as specified in its charter)

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 consent statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION, DATED FEBRUARY 10, 2011

DYNEGY INC.

CONSENT STATEMENT

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

This consent statement is first being sent to stockholders, along with the enclosed WHITE consent card, on or about February [__], 2011. This consent statement is also available on the Internet at [www.\[_____\]](http://www.[_____]).

This consent statement and the enclosed WHITE consent card are being furnished by 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 or we), in connection with Seneca Capital s solicitation of written consents from the holders of shares of common stock, par value \$0.01 per share (the Shares or the Common Stock), of Dynegy Inc., a Delaware corporation (Dynegy or the Company), to take certain actions and refrain from certain actions as set forth below (each, a Proposal and collectively, the Proposals) without a meeting of stockholders, as authorized by the General Corporation Law of the State of Delaware (the DGCL), effective as of [____]:

BINDING PROPOSALS (Proposals 1 through 3 are binding upon the Company once adopted by stockholders):

- Proposal 1. REMOVE TWO DIRECTORS:** Remove, without cause, the following two members of the Company s Board of Directors (the Dynegy Board) (and any person or persons, other than those elected pursuant to this consent solicitation, elected or appointed by the Dynegy Board to fill any vacancy or newly created directorship on or after February [__], 2011 and prior to the time that any of the actions proposed to be taken by this consent solicitation become effective): Bruce A. Williamson and David W. Biegler.
- Proposal 2. ELECT TWO DIRECTORS:** Elect E. Hunter Harrison and Jeff D. Hunter (each, a Nominee and collectively, the Nominees) to serve as directors of the Company until the next annual meeting of stockholders and until their successors are duly elected and qualified.

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Proposal 3. PROTECT CONSENT EFFECTIVENESS: Repeal any provision of the Company's Second Amended and Restated Bylaws (the "Bylaws") in effect at the time this proposal becomes effective that was not included in the Bylaws that became effective on November 22, 2010 and were filed with the Securities and Exchange Commission (the "SEC") on November 24, 2010.

NON-BINDING PROPOSALS TO PROTECT INTRINSIC VALUE (Proposals 4 through 9 are precatory in nature and would not be binding upon the Dynegy Board or its members but Seneca Capital believes that by adopting these Proposals, stockholders would send a crucial message to the Dynegy Board as to stockholders' grave concerns regarding Dynegy's current leadership and strategy and would provide a roadmap to protect the intrinsic value of Dynegy's assets and its business):

Proposal 4. STRATEGIC REVIEW: Direct the Dynegy Board to urgently undertake a strategic review of the Company and its assets to explore the possibility of a sale, in a stockholder-friendly manner, of the Company and/or its assets with a view to using proceeds of any such asset sales for liquidity, optimizing the level of outstanding debt or other means of creating stockholder value.

Proposal 5. OPTIMIZE DEBT: Direct the Dynegy Board to urgently consider strategies to optimize the Company's debt structure, including, without limitation, a refinancing of the Company's revolver to better align with actual business needs, an evaluation of additional financings (excluding any equity or equity-linked securities issuances) and/or debt exchanges to extend and reduce maturities and/or to reduce costs, an evaluation of hedge monetization to enhance liquidity, and an evaluation of the most efficient means of hedge collateralization, including the use of non-cash assets.

Proposal 6. EVALUATE COST CUTS: Direct the Dynegy Board to carefully and urgently evaluate all cost cutting opportunities available to the Company, including, without limitation, corporate costs.

Proposal 7. REVIEW SENIOR MANAGEMENT: Direct the Dynegy Board to urgently conduct a review of senior management, such review to include specific consideration as to the removal of Bruce A. Williamson as chief executive officer.

Proposal 8. BEST-IN-CLASS ALIGNMENT: Direct the Dynegy Board to urgently undertake an in-depth review of company compensation policies to create policies for director and officer compensation that provide best-in-class economic alignment with stockholders through stock ownership, including, but not limited to, adjusting, where possible, change of control and severance arrangements (totaling up to \$36 million in connection with the proposed tender offer by, and merger with, an affiliate of Icahn Enterprises Holdings LP, an affiliate of Dynegy's largest stockholder at \$5.50 per share (the "Proposed IEP Merger")) such that they are more appropriately sized and

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are sensitive to the deal price at which any change of control is consummated.

Proposal 9. EXPLORE REVERSE SPLIT UNWIND: Direct the Dynegy Board to urgently analyze and explore the unwinding of the recent reverse stock split in a stockholder-friendly manner, including considering an amendment to Dynegy's Second Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") to ensure that there are enough authorized Shares to effect such an unwind.

NON-BINDING PROPOSALS TO ADDRESS GOVERNANCE DEFECTS (Proposals 10 through 14 are precatory in nature and would not be binding upon the Dynegy Board or its members but Seneca Capital believes that by adopting these Proposals, stockholders would send a crucial message to the Dynegy Board as to stockholders' grave concerns regarding Dynegy's governance):

Proposal 10. DO NOT RE-SEAT DIRECTORS OR EXPAND BOARD: Direct the Dynegy Board NOT to expand the size of the Dynegy Board as a means of reseating any members removed pursuant to Proposal 1 or reducing the potential impact of any members elected pursuant to Proposal 2.

Proposal 11. INDEPENDENT PROCESS: Direct the Dynegy Board to carry out any evaluations or other efforts which are consistent with those called for by Proposals 4 through 9 (whether or not in response to stockholder adoption of such Proposals) by creating one or more special independent board committees to make such evaluation or other effort. The independent board committee(s) is/are to (a) include any board member(s) elected pursuant to Proposal 2 and (b) engage its own independent and new (i) legal counsel and (ii) one or more financial advisors or, as applicable, compensation consultants, which such counsel, advisors and consultants should be selected (x) to act separately and solely for such committee and (y) without direction from management. The compensation of such independent financial advisor(s) should have alignment to the creation of stockholder value. Additionally, the lead director of the Dynegy Board, the chairperson of the Dynegy Board and the chairperson of any special committee called for by this Proposal should each be a director that did not vote for the proposed merger with an affiliate of The Blackstone Group at \$4.50 and then \$5.00 per share (the "Proposed Blackstone Merger") or the Proposed IEP Merger.

Proposal 12. REPORTS TO STOCKHOLDERS: Direct the Dynegy Board to make public disclosure every three months, commencing with the next scheduled quarterly report of Company financial information, as to the Dynegy Board's and any special board committee's progress and findings with regard to their evaluations or other efforts undertaken consistent with those called for by any of Proposals 4 through 9 (whether or not in response to stockholder adoption of such Proposals).

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- Proposal 13. ANNUAL MEETING SLATE: Direct the Dynegy Board to nominate any members elected pursuant to Proposal 2 to stand for re-election at Dynegy's next annual meeting of stockholders for a full term.**
- Proposal 14. DIRECTOR RESIGNATIONS: Demand expeditious resignation of those members of the Dynegy Board who supported all of (a) the Proposed Blackstone Merger, (b) a recess of the special meeting to consider the Proposed Blackstone Merger, (c) an incremental \$16.3 million break-fee in the face of overwhelming stockholder opposition to the Proposed Blackstone Merger and (d) the Proposed IEP Merger barely three weeks after pledging a careful review of standalone alternatives, as Dynegy leadership in pursuing these actions, including scorched-earth and liquidity-scare tactics in defense of proposed sales, has lost necessary credibility to effectively steward the Company. Such resignation should occur simultaneously with the expeditious election by the Dynegy Board (including any board member(s) that are resigning and any board member(s) elected pursuant to Proposal 2), without direction from management, of qualified successor directors that believe in the Dynegy value proposition.**

None of the Proposals is subject to, or is conditioned upon, the adoption of the other Proposals; however, if none of the existing members of the Dynegy Board are removed in Proposal 1, there will be no vacancies to fill and none of the Nominees can be elected in Proposal 2. Accordingly, the Nominees will not be elected pursuant to Proposal 2 unless the stockholders also approve the removal, without cause, of one or more of the existing members of the Dynegy Board. See Consent Procedures for additional information regarding the removal and election of directors. Each Proposal will become effective without further action when written consents of stockholders holding a majority of the issued and outstanding Shares are delivered to Dynegy.

Seneca Capital collectively owns what it believes is the second largest equity stake in Dynegy as of February 9, 2011 with an approximately 12.1% economic interest (based on 121,059,184 Shares of Common Stock outstanding as of January 5, 2011 as reported in Dynegy's Preliminary Proxy Statement on Schedule 14A filed with the SEC on January 10, 2011), comprised of beneficial ownership of an aggregate of 11,226,500 Shares (approximately 9.3% of Dynegy's outstanding Common Stock) and ownership of European-style call options that provide the right to purchase an aggregate of 3,391,000 shares at an exercise price of \$0.01 per share by delivery of notice of exercise as of April 15, 2011. Seneca Capital holds **no other economic interests in any Dynegy securities or instruments**. Seneca Capital's sole interest in pursuing this consent solicitation is maximization of stockholder value. Upon the filing of a Definitive Consent Statement as to the solicitation of written consents described herein, Seneca Capital will deliver a consent in favor of each of the Proposals with respect to all of its collectively owned 11,226,500 Shares.

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 and the Nominees are participants (collectively, the Participants, and each, a Participant) in this solicitation of written consents

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by us from the stockholders of Dynegy. Additional information concerning the Nominees is set forth in The Proposals Proposal 2: Election of Nominees and Annex A, and additional information concerning the Participants is set forth in Annex B.

SENECA CAPITAL IS MAKING THIS CONSENT SOLICITATION ON ITS OWN BEHALF AND NOT BY OR ON BEHALF OF DYNEGY. SENECA CAPITAL IS ASKING THE STOCKHOLDERS OF DYNEGY TO ACT BY WRITTEN CONSENT WITH RESPECT TO THE PROPOSALS ON THE ACCOMPANYING WHITE CONSENT CARD OR VIA THE INTERNET OR TELEPHONE.

A consent solicitation is a process that allows a company's stockholders to act by submitting written consents to any proposed stockholder action in lieu of voting in person or by proxy at an annual or special meeting of stockholders. Whereas at special or annual meetings of stockholders at which a quorum is present, the election of directors are determined by a plurality of votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors, a written consent solicitation requires the affirmative consent of holders of a majority of all outstanding shares of a company entitled to vote on such action.

For the Proposals to be adopted, properly completed and unrevoked written consents to the Proposals must be delivered to Dynegy within 60 calendar days of the date of the earliest dated consent delivered to Dynegy. Nevertheless, Seneca Capital recommends that you submit your consent as soon as possible. See Consent Procedures and Special Instructions for additional information regarding the submission of written consents.

If you take no action, it is effectively a vote against the Proposals. Abstentions, failures to sign, date and return consent cards, and broker non-votes, if any, will all have the same effect as withholding consent. Please sign, date and return the enclosed WHITE consent card in the postage-paid envelope provided or submit your consent to us via the Internet or telephone as explained in our consent instruction card.

Seneca Capital may terminate this consent solicitation at any time although Seneca Capital has no intention to do so. In addition, Seneca Capital reserves the right to solicit proxies from Dynegy's stockholders to be used at either Dynegy's annual meeting of stockholders, or otherwise, for the election of the Nominees or other nominees of ours to the Dynegy Board. Seneca Capital also reserves the right to solicit consents from Dynegy's stockholders in support of the election of the Nominees or other nominees of ours to the Dynegy Board in the future. Any such proxy or consent solicitation would be made in accordance with the applicable provisions of Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act), and pursuant to a definitive proxy statement on Schedule 14A.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY
OF CONSENT MATERIALS FOR THE CONSENT SOLICITATION
TO TAKE ACTION WITHOUT A MEETING**

This consent statement and other consent materials are available on the Internet at [http://\[\]](http://[]).

IMPORTANT

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PLEASE READ THIS CAREFULLY

1. If you hold your Shares in your own name, PLEASE SIGN, DATE AND RETURN the enclosed WHITE consent card in the postage-paid envelope provided or submit your consent to us via the Internet or telephone as explained in our consent instruction card.

2. If your Shares are held in the name of a brokerage firm, bank, dealer, trust company or other nominee, only it can execute a consent representing your Shares and only upon receipt of your specific instructions. Accordingly, you should follow the instructions included in the materials that you have received or contact the person responsible for your account and give instructions to consent to the Proposals on your behalf. Seneca Capital recommends that you then confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to Seneca Capital, c/o [____], which is assisting in this solicitation, at the address and telephone numbers set forth below, so that Seneca Capital will be aware of all instructions given and can attempt to ensure that those instructions are followed.

Seneca Capital recommends that you not return any Revocation of Consent card sent to you by Dynegy.

SENECA CAPITAL RECOMMENDS THAT YOU ACT TODAY TO ENSURE THAT YOUR CONSENT WILL COUNT.

If you have any questions or require any assistance in executing your WHITE consent card or submitting your consent via the Internet or by telephone, please contact [____], which is assisting in this solicitation of consents:

[____]
[____]
[____]

Call Toll-Free: [____]
Banks and Brokerage Firms Call: [____]

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INFORMATION ABOUT SENECA CAPITAL

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, Douglas A. Hirsch, E. Hunter Harrison and Jeff D. Hunter 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 February 9, 2011, Seneca Capital collectively owns what it believes is the second largest equity stake in Dynegy with an approximately 12.1% economic interest (based on 121,059,184 Shares of Common Stock outstanding as of January 5, 2011 as reported in Dynegy's preliminary proxy statement on Schedule 14A filed with the SEC on January 10, 2011), comprised of beneficial ownership of an aggregate of 11,226,500 Shares (approximately 9.3% of Dynegy's outstanding Common Stock) and ownership of European-style call options that provide the right to purchase 3,391,000 shares at an exercise price of \$0.01 per share by delivery of notice of exercise as of April 15, 2011. Specifically in respect of Share ownership, as of February 9, 2011, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares. As of February 9, 2011, 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.

Specifically in respect of European-style call option ownership, as of February 9, 2011, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held European-style call options, providing the right to purchase 2,331,400 and 1,059,600 Shares, respectively, at an exercise price of \$0.01 per share, by delivering notice of exercise as of April 15, 2011.

Seneca Capital holds **no other economic interests in Dynegy securities or instruments**. Its sole interest in pursuing this consent solicitation is maximization of stockholder value.

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On October 7, 2010, the members of Seneca Capital entered into a Joint Filing Agreement in which, among other things, the parties agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of Dynegy.

Seneca Capital reserves the right to retain one or more financial advisors and consent solicitors, who may be considered participants in a solicitation under Regulation 14A of the Exchange Act in addition to [_____].

Upon the filing of a Definitive Consent Statement as to the solicitation of written consents described herein, Seneca Capital will deliver a consent in respect of the 11,226,500 Shares collectively beneficially held by it in favor of each of the Proposals.

BACKGROUND OF THE CONSENT SOLICITATION

On October 12, 2010, representatives of Dynegy made an investor presentation to Seneca Capital with respect to the Proposed Blackstone Merger and gave the dire warning that if the Proposed Blackstone Merger were not adopted by stockholders at **\$4.50 per share (\$0.90 per share pre-reverse split)**, Dynegy would face an immediate liquidity crisis, would likely pursue actions that could dilute stockholder value and could experience a precipitous stock decline.

On November 23, 2010, prior to that day's scheduled resumption of Dynegy's recessed meeting of stockholders to vote on the Proposed Blackstone Merger, J. Kevin Blodgett, Dynegy's General Counsel and Executive Vice President, Administration, called representatives of Seneca Capital's outside counsel, Latham & Watkins LLP, and orally conveyed the following information: (i) the Dynegy Board amended and restated the Company's Amended and Restated Bylaws; (ii) the Dynegy Board adopted a Stockholder Protection Rights Agreement (the Rights Plan); (iii) the Company did not believe that the proposal to adopt the merger agreement under which an affiliate of The Blackstone Group would acquire the Company for \$5.00 per share in cash would receive the necessary votes to be adopted; (iv) the Dynegy Board appointed a special committee comprised of all of the Company's independent directors to carefully consider strategic and standalone alternatives; (v) the Company would offer Seneca Capital the opportunity to suggest just one qualified, independent candidate to be considered for nomination to the Dynegy Board; (vi) three representatives of the Dynegy Board offered to meet with Seneca Capital and to vet its proposed nominee to the Dynegy Board; and (vii) the Dynegy Board would adopt certain, but not all, of the proposals that had been advanced by Seneca Capital.

On November 23, 2010, prior to that day's scheduled resumption of Dynegy's recessed meeting of stockholders to vote on the Proposed Blackstone Merger, Mr. Blodgett and Bruce A. Williamson, Dynegy's President and Chief Executive Officer, met with a representative of Seneca Capital to state a desire to avoid a solicitation of consents for removal of Mr. Williamson and Mr. Biegler from the Dynegy Board and for the Dynegy Board to select just one of Seneca Capital's two proposed candidates for seating on the Dynegy Board. Mr. Williamson also emphasized that the Dynegy Board had formed a special committee to examine alternatives to a sale transaction and stated that the Dynegy Board intended to consider strategies to optimize debt structure, evaluate cost cutting opportunities and consider revised economic incentives for management and the Dynegy Board to ensure proper alignment. Subsequent to this meeting, a

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representative of Dynegy's outside counsel, Sullivan & Cromwell LLP, called representatives of Seneca Capital to articulate the same message.

On November 24, 2010, a representative of Seneca Capital called a representative of Sullivan & Cromwell to respond that in light of Dynegy leadership's scorched-earth campaign and liquidity-scare tactics to pressure stockholders into selling the Company at two insufficient prices, Seneca Capital did not believe a solution could be found where Mr. Williamson, under his current compensation arrangements that are so misaligned with stockholder interests, would remain on the Dynegy Board and where fewer than two of Seneca Capital's proposed candidates would be seated.

On December 2, 2010, representatives of Seneca Capital met with Dynegy's lead independent director and a representative of Sullivan & Cromwell to reiterate that Seneca Capital was gravely concerned with Mr. Williamson remaining on the Dynegy Board given his leadership of the scorched-earth campaign to pursue the Proposed Blackstone Merger and his misalignment of interest with Dynegy stockholders and could not accept an outcome where fewer than two of Seneca Capital's proposed candidates would be seated. Seneca Capital also questioned the basis for the exceptionally restrictive Rights Plan when the Dynegy Board had desperately sought to sell the company at prices well below the prices at which the Rights Plan was operative. Dynegy's lead independent director pledged that Seneca Capital could take comfort in the recent formation of a special committee of the Dynegy Board which would, with the assistance of an independent financial advisor, carefully evaluate Dynegy's standalone opportunities for maximizing stockholder value. Dynegy's lead independent director also noted that the Dynegy Board would reflect on the discussion with Seneca Capital and, without conveying a likelihood of accommodating Seneca Capital's concerns, expressed an interest in continuing discussions.

On December 15, 2010, without indicating the outcome of the promised careful evaluation referred to above or even whether the independent financial advisor for the purpose had ever been hired, Dynegy announced that the Dynegy Board unanimously approved the Proposed IEP Merger.

On January 21, 2011, Seneca Capital sent a letter to the special committee of the Dynegy Board seeking an immediate waiver from the Rights Plan to permit Seneca Capital to work in concert with others for the purpose of acquiring additional Dynegy common stock at a price greater than \$5.50 per share. In the letter, Seneca Capital stated that because the Board of Directors already approved the Proposed IEP Merger at \$5.50 per share, Seneca Capital believes the Dynegy Board should facilitate the development of potential opportunities for Dynegy shareholders to sell stock at a higher price, regardless of whether the buyers are already shareholders. Seneca Capital also requested a separate waiver to permit it to acquire additional non-voting Beneficial Ownership (as such term is defined in the Rights Plan) of Dynegy common stock at a price that is greater than \$5.50 per share subsequent to the failure of the Proposed IEP Merger. On January 26, 2011, the chairwoman of the special committee of the Dynegy Board sent a letter to Seneca Capital denying the waivers.

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On January 26, 2011, following the announcement that holders of more than 95% of non-Icahn affiliated outstanding shares determined not to tender their shares in connection with the first scheduled expiration of the tender offer portion of the Proposed IEP Merger, Seneca Capital sent a letter to the special committee of the Dynegy Board preemptively announcing that it would be opposed to selling Dynegy at \$6.00 per share and cautioning the Dynegy Board against the continued spending of shareholder funds (incremental to the \$100 million in fees and expenses, or 15% of equity value, that the Dynegy Board has already been willing to spend) in another attempt to sell the Company at an inadequate price, let alone without performing the careful standalone review promised to shareholders.

On January 31, 2011 and February 1, 2011, representatives of Seneca Capital spoke with Mr. Williamson regarding a possible meeting to discuss the Company and the status of the Proposed IEP Merger. On February 7, 2011, representatives of Seneca Capital met with Mr. Williamson, Dynegy's lead independent director and a representative of Sullivan & Cromwell to discuss the same.

After the date of this consent statement, Seneca Capital reserves the right to continue to have discussions with Dynegy regarding the Proposals.

REASONS FOR THE CONSENT SOLICITATION

Through each of the Proposals set forth in this consent solicitation, Seneca Capital seeks to protect and maximize stockholder value at Dynegy.

Seneca Capital believes that pioneering rail executive, E. Hunter Harrison, and successful power industry veteran, Jeff Hunter, have the capabilities, background and leadership vision to begin the process of refocusing Dynegy and re-energizing the Dynegy Board. The Nominees, if elected, would likely make up a minority of the Dynegy Board and would thus be unable to effect board action without support from other directors, but based on their very strong records of achievement, Seneca Capital believes Mr. Harrison and Mr. Hunter would **provide substantial value-added** to the Dynegy Board through their proven ability to create stockholder value, drive cost efficiencies and provide specialized knowledge regarding coal transportation (in the case of Mr. Harrison) and financing (in the case of Mr. Hunter). Mr. Harrison and Mr. Hunter believe in the Dynegy value proposition and the full alignment of director interests with those of stockholders, and have in aggregate committed to own **800,000** Shares of Dynegy stock personally during their tenure on the Dynegy Board. Mr. Harrison has already purchased 500,000 Shares. In contrast, the five non-executive members of the existing Dynegy Board have **purchased a total of less than 16,000 of their Shares**.

Seneca Capital believes that electing Mr. Harrison and Mr. Hunter to the Dynegy Board, removing Bruce A. Williamson and David W. Biegler from the Dynegy Board, and adopting the other Proposals is a crucial first step in addressing the grave concerns regarding the existing Dynegy Board, management and compensation structure. Seneca Capital believes that through the (i) early abandonment of a promised careful and independent review of Dynegy's standalone alternatives, (ii) approval of the Proposed IEP Merger at \$5.50 (\$1.10 per share pre-reverse split) including its \$16.3 million break-fee, its provision for a go-shop period during the heart of the typically slow holiday season, and its lock up of support from Dynegy's largest stockholder (and one of Dynegy leadership's most vocal critics) against this consent solicitation and in favor of a cash transaction from a subsequent bidder and (iii) a scorched-earth campaign in pursuit of the Proposed Blackstone Merger at \$4.50 per share (and \$5.00) based on liquidity-scare tactics and dire threats of potential stock declines to below \$2.78 per share in the event of the Proposed

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Blackstone Merger's failure, the Dynegy Board and management have lost the necessary credibility to effectively steward Dynegy. Based on Dynegy's public disclosure, Seneca Capital estimates that Dynegy leadership has been willing to subject the Company to well over \$100 million in fees—break-fees, fees for banking (\$3 million of which have inexplicably been added following the Proposed Blackstone Merger's failure), legal, proxy, public relations as well as change of control severance payments—nearly 15% of Dynegy's equity market capitalization, to ensure that the Company is sold, without conducting the promised fulsome and independent review of standalone alternatives and making management eligible for up to **\$36 million in change of control** and change of control severance payments.

Seneca Capital believes these actions have created an urgent need for immediate change to Dynegy's leadership and incentive structure. The Proposed Blackstone Merger garnered the affirmative vote of only 26% of outstanding shares in what Seneca Capital believes was a referendum on Dynegy's leadership and scorched-earth predictions in addition to the Proposed Blackstone Merger. Likewise, holders of more than 95% of non-Icahn affiliated outstanding shares determined not to tender their shares in connection with the first scheduled expiration of the tender offer portion of the Proposed IEP Merger. Seneca Capital believes Dynegy leadership's decisions to implement a newly-created Rights Plan, recent Bylaw changes, a virtually-unprecedented recess of the special stockholders' meeting to consider the Proposed Blackstone Merger, a last-minute, incremental \$16.3 million break-fee in the face of overwhelming stockholder opposition to the Proposed Blackstone Merger, and the early abandonment of a promised careful and independent review of Dynegy's standalone alternatives in favor of the Proposed IEP Merger (overwhelmingly disfavored by stockholders as evidenced by the recent tender result) and its attendant \$16.3 million break-fee, holiday-period go-shop as well as locking up the vote of one of the Company's largest stockholders and most vocal critics, necessitate immediate change in the ranks of Dynegy leadership.

Seneca Capital believes that an absence of meaningful stock ownership and investment by the existing Dynegy Board and change of control/severance arrangements that reward senior management for a sale of the Company through a scheme that (due to a large cash component as well as a large performance award component that pays out at target amounts upon a change of control) is largely insensitive to price, create profound misalignment with the interests of stockholders that must be addressed as part of a solution to the current leadership problem.

In addition, Seneca Capital believes the Proposals would provide a strong stockholder mandate behind a clear plan to begin to refocus Dynegy as the premier vehicle to participate in power market recovery. That plan as set forth in the Proposals is for a properly aligned Dynegy Board to engage in a strategic review of the Company and its assets to explore the possibility of a sale of the Company and/or its assets in order to create stockholder value, to consider strategies to optimize the Company's debt structure and to evaluate all cost cutting opportunities available to the Company. Seneca Capital believes that a strategic review, the optimization of Dynegy's capital structure and cost cutting opportunities each have enormous potential to unlock significant intrinsic value for Dynegy's stockholders.

Finally, Seneca Capital believes that the Dynegy Board should evaluate unwinding the recent reverse stock split in a stockholder friendly manner. Seneca Capital believes that reverse stock splits cause greater selling pressure from short sellers and are a recipe for

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underperformance. Seneca Capital notes third-party market research commentary from Credit Suisse in a report titled "Split 'N Slide" dated July 1, 2008 reporting the results of Credit Suisse's review of the universe of stocks that reverse split since 1980 to track their performance. They note consistently dismal performance of such stocks and identify reverse splits as an opportunity for short sellers.¹ Seneca Capital believes that by unwinding the recent reverse stock split, in whole or in part, the Dynegy Board can alleviate pressure on Dynegy's stock by short sellers.

THE PROPOSALS

Seneca Capital is soliciting consents from the Company's stockholders in support of the following Proposals to be effective as of [_____]:

BINDING PROPOSALS (Proposals 1 through 3 are binding upon the Company once adopted by stockholders):

PROPOSAL 1: REMOVE TWO DIRECTORS.

Proposal 1 is to remove, without cause, the following two members of the Dynegy Board (and any person or persons, other than those elected by this consent solicitation, elected or appointed to the Dynegy Board to fill any vacancy or newly created directorship on or after February [___], 2011 and prior to the time that any of the actions proposed to be taken by this consent solicitation become effective): Bruce A. Williamson and David W. Biegler.

According to the Company's filings with the SEC, the following six persons are currently members of the Dynegy Board: Bruce A. Williamson; David W. Biegler; Victor E. Grijalva; Patricia A. Hammick; Howard B. Sheppard; and William L. Trubeck.

Section 141(k) of the DGCL provides that any director or the entire board of directors of a corporation may be removed, with or without cause, by holders of a majority of the shares then entitled to vote at an election of directors, except in certain cases involving corporations with classified boards or cumulative voting for directors. Since the Dynegy Board is not classified and the Company does not have cumulative voting for directors, the Company's stockholders may remove the members of the Dynegy Board, without cause, pursuant to this consent solicitation.

SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO THE REMOVAL, WITHOUT CAUSE, OF THE FOLLOWING TWO DIRECTORS OF THE COMPANY (AND ANY PERSON OR PERSONS, OTHER THAN THOSE ELECTED BY THIS CONSENT SOLICITATION, ELECTED OR APPOINTED TO THE DYNEGY BOARD TO FILL ANY VACANCY OR NEWLY CREATED DIRECTORSHIP ON OR AFTER FEBRUARY [___], 2011 AND PRIOR TO THE TIME THAT ANY OF THE ACTIONS PROPOSED TO BE TAKEN BY THIS CONSENT SOLICITATION BECOME EFFECTIVE): BRUCE A. WILLIAMSON AND DAVID W. BIEGLER.

PROPOSAL 2: ELECT TWO DIRECTORS.

¹ Credit Suisse has not provided permission for use and we are not incorporating this piece by reference into this consent statement.

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Proposal 2 is to elect our Nominees, Mr. Harrison and Mr. Hunter, to serve as directors of the Company until the next annual meeting of stockholders and until their successors are duly elected and qualified. Accordingly, if Proposal 1 is approved, Seneca Capital has nominated the Nominees to fill the available seats on the Dynegy Board, and, if the Nominees are elected, they and Victor E. Grijalva, Patricia A. Hammick, Howard B. Sheppard, and William L. Trubeck will constitute the entire membership of the Dynegy Board. In the event that requisite consents are obtained to approve Proposal 1 and one or both of the Nominees fail to be elected to the Dynegy Board, Seneca Capital may engage in another solicitation of stockholders to fill any such vacancies or the vacancies may continue until the earlier of the next annual meeting of stockholders or the next special meeting of stockholders at which directors are elected. See Consent Procedures for further details relating to the election of the Nominees if only one of Bruce A. Williamson and David W. Biegler is removed pursuant to Proposal 1.

Seneca Capital believes that the Nominees are independent of Dynegy under NYSE independence standards (which, based on publicly available information, Seneca Capital understands to be the independence standards applicable to Dynegy) and are not currently affiliated with Seneca Capital, Dynegy or any subsidiary of Dynegy. Consequently, Seneca Capital believes that if the Nominees are elected, a majority of the directors will be independent within the meaning of the NYSE independence standards, and there will be a sufficient number of independent directors to serve on the Dynegy Board's Audit and Compliance Committee, Compensation and Human Resources Committee and Corporate Governance and Nominating Committee. Based on Dynegy's public filings, Seneca Capital believes that William L. Trubeck qualifies as an audit committee financial expert as defined by SEC rules.

The composition of the Dynegy Board's committees will be determined by the Nominees, if elected, and Victor E. Grijalva, Patricia A. Hammick, Howard B. Sheppard, and William L. Trubeck (assuming such directors are willing to serve as a director of the Company if necessary consents are obtained to approve Proposals 1 and 2). The Audit and Compliance Committee, Compensation and Human Resources Committee and Corporate Governance and Nominating Committee will each consist solely of independent directors as determined in accordance with the NYSE Listed Company Standards. No other specific determinations regarding the composition of the Dynegy Board's committees have been made as of the date of this consent statement.

Each of the Nominees has consented (i) to serve as a nominee to the Dynegy Board, (ii) to serve as a director of the Company, if elected, and (iii) to being named as a nominee in this consent statement. Seneca Capital does not expect that any of the Nominees will be unable to stand for election to the Dynegy Board or to serve as a director if elected. In the event that a vacancy in the slate of our Nominees should occur unexpectedly, Seneca Capital may appoint a substitute candidate selected by Seneca Capital. In such case or if Seneca Capital determines to add nominees because the Company expands the size of the Dynegy Board subsequent to the date of this consent statement or otherwise, Seneca Capital intends to supplement this consent statement with the disclosure regarding such nominees required by Schedule 14A under the Exchange Act and to obtain the consent of such other nominees as described in the first sentence of this paragraph.

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The following information contains each Nominee's name, age, present principal occupation, principal occupations and directorships for at least the last five years and business address. Each of the Nominees is a citizen of the United States of America.

Considered by investors to be one of the greatest value creating railroad CEOs in modern times, E. Hunter Harrison, age 65, while at Canadian National Railway, led operations and then served as Chief Executive Officer of a company that rewarded investors with a total stockholder return of more than 500% compared to the S&P 500 return of 24% and the average total stockholder return of the other North American Class I Railroads of 152%. He has been a pioneering executive during his 45-year career in the railroad industry, most recently as President and Chief Executive Officer of Canadian National Railway Company from 2003 to 2009, COO from 1998 to 2003 and a member of the Board of Directors from 1999 to 2009. Since retiring from Canadian National Railway in 2009, Mr. Harrison has managed his personal investments. Driving extremely significant stockholder returns, Mr. Harrison developed the concept of precision railroading which helped to improve Canadian National Railway's operating margins to more than 33% in 2009 from 22% in 1997. Prior to joining Canadian National Railway, Mr. Harrison was President and CEO of Illinois Central Railroad from 1993 to 1998 and COO from 1989 to 1993. During his tenure at Illinois Central Railroad, owners realized unlevered returns that were multiples of their initial investment and drastic improvements in operating margins. In addition to his impressive track record of leading value creation and cost cutting efforts, Mr. Harrison is an expert in coal transportation, the largest component of Dynegy's delivered coal costs, and should be value added in advising Dynegy on strategy towards coal transportation contract negotiations. Mr. Harrison has earned numerous accolades over the course of his career, including 2009 International Business Leader of the Year from the Canadian Chamber of Commerce, Canada's CEO of the Year from the Globe and Mail's Report on Business and 2002 Railroader of the Year from Railway Age Magazine. The University of Alberta presented Mr. Harrison with an honorary Doctor of Laws degree for his work as a preeminent innovator and leader in the North American rail industry. In addition to Canadian National Railway's Board, Mr. Harrison has also served on the Board of Directors for the American Association of Railroads, Belt Railway, Terminal Railway, Wabash National Corp, Illinois Central Railroad and TTX Company. Mr. Harrison's business address is 2708 Sheltingham, Wellington, Florida 33414.

In addition to the foregoing, Mr. Harrison's 45 years of experience in the railroad industry, much of it in significant executive management positions, provide him with the necessary skills to be a member of the Dynegy Board.

Jeff D. Hunter, age 45, is co-founder and has served as the Chief Financial Officer, since September 2003, of US Power Generating Company (US Power Gen), which has owned and operated more than 5,000 MW of gas-fired generation in New York and New England. At US PowerGen, Mr. Hunter has served as Chief Financial Officer of a company that has driven compelling stockholder returns such that market expectations for current prices of the company's assets imply a two-to-three times return for US PowerGen founding investors. While Mr. Hunter has been at US PowerGen, the company has completed the merger of Astoria Generating and EBG Holdings and raised more than \$1.2 billion in debt and equity financings. Over the last several years at US PowerGen, Mr. Hunter has demonstrated an impressive capability for cutting costs, successfully helping the company reduce selling, general and

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administrative expenses by 33% and leading the reduction of collateral requirements by more than 50%. Previously, he served as a Partner with PA Consulting Group from 1998 to 2002 and was global practice head of Energy Strategy and Risk Management. While at PA Consulting Group, Mr. Hunter helped to build a global practice focused on opportunities presented in liberalizing markets, privatization, market restructuring, acquisitions and management/operations improvement in the power and natural gas sector. Prior to joining PA Consulting Group, Mr. Hunter was Director, Natural Gas Trading at El Paso Merchant Energy where he led a team of 40 trading professionals in managing a 2 billion cubic foot per day physical gas trading operation. Mr. Hunter's business address is 300 Atlantic Avenue, Suite 300, Stamford, Connecticut 06901.

In addition to the foregoing, Mr. Hunter's over eighteen years as an executive in the power generation and energy industry, as well as his experience managing complicated financing structures, provide him with the necessary skills to be a member of the Dynegy Board.

Both Mr. Harrison and Mr. Hunter are compelled by the Dynegy investment opportunity and believe in the full alignment of their interests with those of stockholders. Mr. Harrison **recently acquired 500,000 Shares of Dynegy stock** in the face of what Seneca Capital believes was a scorched-earth campaign by Dynegy leadership to scare stockholders into selling at \$4.50 and intends to hold at least that amount during his tenure on the Dynegy Board. Mr. Hunter commits to own 300,000 Shares of Dynegy stock during his tenure on the Dynegy Board. In contrast, the five current non-executive members of the Dynegy Board own a combined total of less than 175,000 Shares, of which approximately 91% are phantom shares granted by the Company as compensation for service on the Dynegy Board (i.e., they have **purchased a total of less than 16,000 of their Shares**) AND it has been communicated to Seneca Capital by a Dynegy Board member that the Dynegy Board believes that such more modest ownership of Dynegy shares could actually enhance objectivity of a Board member—a belief with which Seneca Capital strongly disagrees and which Seneca Capital believes further highlights grave and urgent concerns about the current composition and mindset of the Dynegy Board.

EBG Holdings LLC (EBG), a wholly-owned and indirect subsidiary of US PowerGen, its principal operating subsidiary Boston Generating LLC and its five other wholly owned subsidiaries (collectively, BostonGen), announced on August 19, 2010 that they filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Additionally, as part of the filing, BostonGen has sold its assets pursuant to Section 363 of the U.S. Bankruptcy Code. Mr. Hunter has served as Executive Vice President and Chief Financial Officer of EBG. Mr. Hunter has succeeded in driving compelling stockholder returns at USPowerGen even when accounting for the impact of the EBG bankruptcy.

If elected, the Nominees and the other members of the Dynegy Board will be collectively responsible for managing the business and affairs of the Company. Each director of the Company has an obligation under Delaware law to discharge his duties as a director on an informed basis, in good faith, with due care and in a manner the director honestly believes to be in the best interests of the Company and its stockholders. It is possible that circumstances may arise in which the interests of Seneca Capital, on the one hand, and the interests of other stockholders of the Company, on the other hand, may differ although Seneca Capital knows of no, and does not anticipate any such circumstances now. In any such case, Seneca Capital fully

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expects the Nominees to discharge fully their obligations to the Company and its stockholders under Delaware law and each Nominee and Seneca Capital acknowledge that there is, and can be, no agreement between Seneca Capital, on the one hand, and such Nominee, on the other hand, which governs the decisions such Nominee will make as a director of the Company. Other than a nominee agreement for each Nominee between the Nominee and Seneca Capital and the commitments by each Nominee described on Annex B of this consent statement, there is no arrangement or understanding or other business relationship of any kind between any Nominee and any other person or persons, including Seneca Capital or the Company, pursuant to which any Nominee was selected as a nominee for election to the Dynegy Board.

The Nominees are receiving **no compensation from Seneca Capital** for serving as nominees and will not receive any compensation from Seneca Capital for their services as directors of the Company if elected. Each of our Nominees, if elected, will be entitled to receive from the Company compensation paid by the Company to its directors. The compensation currently paid by the Company to its directors is described in the Company's definitive proxy statement filed with the SEC on April 2, 2010 (the 2010 Proxy Statement).

If stockholders holding a majority of the issued and outstanding Shares deliver written consents in favor of both this Proposal 2 and Proposal 14 (discussed below), some or all of the existing members of the Dynegy Board may decide not to serve along with our Nominees, and the Dynegy Board will be composed of the Nominees, each existing member of the Dynegy Board who has not resigned and any member of the Dynegy Board who was elected by the Dynegy Board (including any board member(s) who are resigning and any board member(s) elected pursuant to Proposal 2) to fill a vacancy created by a director resignation pursuant to Proposal 14. In such case, Seneca Capital intends to work with the remaining members of the Dynegy Board to fill any vacancies and reserves the right to conduct future consent solicitations. However, there can be no assurance that the Dynegy Board will take the actions requested pursuant to Proposal 14 because Proposal 14 will not be binding on the Dynegy Board.

SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO THE ELECTION OF EACH OF THE NOMINEES.

PROPOSAL 3: PROTECT CONSENT EFFECTIVENESS REPEAL OF ADDITIONAL BYLAWS OR BYLAW AMENDMENTS.

Proposal 3 is to adopt a resolution which would repeal any provision of the Bylaws in effect at the time Proposal 3 becomes effective that was not included in the Bylaws that became effective on November 22, 2010 and were filed with the SEC on November 24, 2010.

Seneca Capital is not aware of any such provision of the Bylaws that has become effective, but it is possible that following the date of this consent statement and prior to the adoption of this resolution such a provision could be disclosed and/or become effective.

The following is the text of the proposed resolution:

RESOLVED, that any provision of the Bylaws of Dynegy Inc. as of the effectiveness of this resolution that was not included in the Second Amended

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and Restated Bylaws, effective as of November 22, 2010, as filed with the Securities and Exchange Commission on November 24, 2010, be and are hereby repealed.

This Proposal is intended to prevent any actions by the current directors of the Company that might impede the effectiveness of any of the Proposals or negatively impact our ability to obtain stockholder consents or give effect to the will of the stockholders expressed in such consents. Section 109(a) of the DGCL and Article X of the Bylaws permit the Company's stockholders to amend the Bylaws.

If the incumbent Dynegy Board does not effect any change to the version of the November 22, 2010 Bylaws publicly available in filings by the Company with the SEC, this Proposal will have no effect. However, if the incumbent Dynegy Board has made changes since November 22, 2010, this Proposal, if adopted, will restore the Bylaws to the November 22, 2010 version that became publicly available in filings by the Company with the SEC on November 24, 2010, without considering the nature of any changes the incumbent Dynegy Board may have adopted. As a result, this Proposal could have the effect of repealing Bylaw amendments that one or more stockholders of the Company may consider to be beneficial to them or to the Company. However, this Proposal will not preclude the Dynegy Board from reconsidering any repealed Bylaw changes following the consent solicitation. Seneca Capital is not currently aware of any specific Bylaw provisions that would be repealed by the adoption of this Proposal.

SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO THE REPEAL OF ADDITIONAL BYLAWS OR BYLAW AMENDMENTS AS DESCRIBED ABOVE.

NON-BINDING PROPOSALS TO PROTECT INTRINSIC VALUE (Proposals 4 through 9 are precatory in nature and would not be binding upon the Dynegy Board or its members but Seneca Capital believes that by adopting these Proposals, stockholders would send a crucial message to the Dynegy Board as to stockholders' grave concerns regarding Dynegy's current leadership and strategy and would provide a roadmap to protect the intrinsic value of Dynegy's assets and its business):

PROPOSAL 4: STRATEGIC REVIEW.

Proposal 4, a non-binding Proposal, is to adopt a resolution that would direct the Dynegy Board to bring about a strategic review of the Company and its assets to explore the possibility of a sale, in a stockholder-friendly manner, of the Company and/or its assets with a view to using proceeds of any such asset sales for liquidity, optimizing the level of outstanding debt or other means of creating stockholder value. Seneca Capital believes that in considering a sale in a stockholder-friendly manner, the Dynegy Board should give careful consideration to structuring any sales process so as to maximize the likelihood of creating a fully competitive bidding process (with, among other things, ample time for market participants to analyze the Company, no asset exclusivities, no match rights and market-standard confidentiality agreements) and full and careful consideration as to relative benefits of effecting a sale versus pursuing a standalone strategy.

The following is the text of the proposed resolution:

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RESOLVED, that the Dynegy Board is directed to urgently undertake a strategic review of the Company and its assets to explore the possibility of a sale, in a stockholder-friendly manner, of the Company and/or its assets with a view to using proceeds of any such asset sales for liquidity, optimizing the level of outstanding debt or other means of creating stockholder value.

SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO THE STRATEGIC REVIEW AS DESCRIBED ABOVE.

PROPOSAL 5: OPTIMIZE DEBT.

Proposal 5, a non-binding Proposal, is to adopt a resolution that would direct the Dynegy Board to urgently consider strategies to optimize the Company's debt structure, including, without limitation, a refinancing of the Company's revolver to better align with actual business needs, an evaluation of additional financings (excluding any equity or equity-linked securities issuances) and/or debt exchanges to extend and reduce maturities and/or to reduce costs, an evaluation of hedge monetization to enhance liquidity, and an evaluation of the most efficient means of hedge collateralization, including the use of non-cash assets. Seneca Capital strongly believes that neither equity nor equity-linked securities need be issued to extend or reduce maturities of existing debt since among other reasons the absence of significant secured indebtedness at Dynegy creates significant capacity for additional non-equity linked indebtedness at Dynegy.

The following is the text of the proposed resolution:

RESOLVED, that the Dynegy Board is directed to urgently consider strategies to optimize the Company's debt structure, including, without limitation, a refinancing of the Company's revolver to better align with actual business needs, an evaluation of additional financings (excluding any equity or equity-linked securities issuances) and/or debt exchanges to extend and reduce maturities and/or to reduce costs, an evaluation of hedge monetization to enhance liquidity, and an evaluation of the most efficient means of hedge collateralization, including the use of non-cash assets.

SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO THE OPTIMIZATION OF THE COMPANY'S DEBT STRUCTURE AS DESCRIBED ABOVE.

PROPOSAL 6: EVALUATE COST CUTS.

Proposal 6, a non-binding Proposal, is to adopt a resolution that would direct the Dynegy Board to carefully and urgently evaluate all cost cutting opportunities available to the Company, including, without limitation, corporate costs.

The following is the text of the proposed resolution:

RESOLVED, that the Dynegy Board is directed to carefully and urgently evaluate all cost cutting opportunities available to the Company, including, without limitation, corporate costs.

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SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO THE EVALUATION OF COST CUTTING OPPORTUNITIES AS DESCRIBED ABOVE.

PROPOSAL 7: REVIEW SENIOR MANAGEMENT.

Proposal 7, a non-binding Proposal, is to adopt a resolution that would direct the Dynegy Board to urgently conduct a review of senior management. Such a review should include specific consideration as to the removal of Bruce A. Williamson as chief executive officer.

The following is the text of the proposed resolution:

RESOLVED, that the Dynegy Board is directed to urgently conduct a review of senior management, such review to include specific consideration as to the removal of Bruce A. Williamson as chief executive officer.

SENECA CAPITAL RECOMMENDS THAT YOU CONSENT TO A REVIEW OF SENIOR MANAGEMENT AS DESCRIBED ABOVE.

PROPOSAL 8: BEST-IN-CLASS ALIGNMENT.

Proposal 8, a non-binding Proposal, is to adopt a resolution that would direct the Dynegy Board to urgently undertake an in-depth review of company compensation policies to create policies for director and officer compensation that provide best-in-class economic alignment with stockholders through stock ownership, including, but not limited to, adjusting, where possible, change of control and severance arrangements (totaling up to \$36 million in connection with the Proposed IEP Merger) such that they are more appropriately sized and are sensitive to the deal price at which any change of control is consummated.

The following is the text of the proposed resolution:

RESOLVED, that the Dynegy Board is directed to urgently undertake an in-depth review of company compensation policies to create policies for director and officer compensation that provide best-in-class economic alignment with stockholders through stock ownership, including, but not limited to, adjusting, where possible, change of control and severance arrangements (totaling up to \$36 million in connection with the proposed tender offer by, and merger with, an affiliate of Icahn Enterprises Holdings LP, an affiliate of Dynegy's largest stockholder at \$5.50 per share (the "#147