

Dynegey Acquisition, Inc.  
Form 424B3  
February 13, 2007  
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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-139221

**MERGER PROPOSED YOUR VOTE IS IMPORTANT**

To our shareholders:

I am pleased to invite you to attend the special meeting of shareholders of Dynegey Inc. ( "Dynegey" ) to be held on Thursday, March 29, 2007, at 10:00 a.m., local time, at Dynegey's headquarters, Wells Fargo Plaza, 1000 Louisiana Street, Houston, Texas 77002. At the special meeting, you will be asked to consider and vote on a proposal to adopt the merger agreement that Dynegey entered into with, among others, LSP Gen Investors, L.P., LS Power Partners, L.P., LS Power Equity Partners PIE I, L.P., LS Power Equity Partners, L.P. and LS Power Associates, L.P. as of September 14, 2006, and to approve the merger contemplated by such merger agreement.

If the transactions contemplated by the merger agreement are completed, you will receive one share of the Class A common stock of a new company, currently named Dynegey Acquisition, Inc. and which we refer to as "New Dynegey," for each share of Dynegey's common stock held by you immediately prior to the effective time of the merger. Upon the completion of these transactions, New Dynegey's Class A common stock will be listed on the New York Stock Exchange (the "NYSE") under the symbol "DYN," which is the symbol under which Dynegey's current Class A common stock is traded on the NYSE.

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

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

Sincerely,

Bruce A. Williamson

Chairman and Chief Executive Officer

Dynegey Inc.

**For a discussion of certain risk factors that you should consider in evaluating the transactions contemplated by the merger agreement and an investment in New Dynegey's common stock, see Risk Factors beginning on page 20.**

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

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

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This proxy statement/prospectus is dated February 13, 2007, and is first being mailed to Dynegey's shareholders on or about February 13, 2007.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD MARCH 29, 2007**

To our shareholders:

Dynegy Inc. ( "Dynegy" ) will hold a special meeting of its shareholders on Thursday, March 29, 2007 at 10:00 a.m., local time, at Dynegy's headquarters, Wells Fargo Plaza, 1000 Louisiana Street, Houston, Texas 77002, to consider and vote on a proposal to adopt the merger agreement, dated as of September 14, 2006, by and among Dynegy, Dynegy Acquisition, Inc. ( "New Dynegy" ), Falcon Merger Sub Co. ( "Merger Sub" ), LSP Gen Investors, L.P., LS Power Partners, L.P., LS Power Equity Partners PIE I, L.P., LS Power Equity Partners, L.P. and LS Power Associates, L.P. ( "LS Associates" and, collectively, the "LS Contributing Entities" ) and to approve the merger of Merger Sub with and into Dynegy. The merger agreement contemplates, among other transactions, that:

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

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

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

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

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

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

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

Only Dynegy's shareholders of record at the close of business on January 29, 2007 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. No business other than the proposal described in this notice will be considered at the special meeting or any adjournment or postponement thereof. A complete list of Dynegy's shareholders of record entitled to vote at the special meeting will be available for inspection at the special meeting.

Your vote is very important, regardless of the number of shares you own. Dynegy cannot complete these transactions, including the merger, unless the merger agreement is adopted and the merger is approved by the affirmative vote of two-thirds of the issued and outstanding shares of

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(i) Dynegy's Class A common stock voting as a class, (ii) Dynegy's Class B common stock voting as a class and (iii) Dynegy's Class A common stock and Class B common stock voting together as a class. Please submit your proxy as soon as possible to make sure that your shares are represented at the special meeting.

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

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

By Order of the Board of Directors,

J. Kevin Blodgett

February 13, 2007

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**REFERENCES TO ADDITIONAL INFORMATION**

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

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

Dynegey Inc.

1000 Louisiana Street, Suite 5800

Houston, Texas 77002

(713) 507-6400

Attention: Investor Relations Department

**In order to ensure timely delivery of requested documents, any request should be made at least five business days prior to the date on which an investment decision is to be made and, in any event, no later than March 22, 2007, which is five business days prior to the special meeting.**

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

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

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

A: The special meeting will take place on Thursday, March 29, 2007, at 10:00 a.m., local time, at Dynegy's headquarters, Wells Fargo Plaza, 1000 Louisiana Street, Houston, Texas 77002.

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

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

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

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

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

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

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

You are only being asked to vote on adoption of the Merger Agreement and the approval of the Merger. You are not being asked to vote on any other of the Merger Agreement Transactions, including the Contributions by the LS Contributing Entities of the Contributed Entities and the

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anticipated post-Merger contributions by LS Associates and New Dynegy of their respective interests in certain power generation



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development projects to the Development LLC. However, because the Merger Agreement Transactions are an integral part of the Merger Agreement and the Merger, a vote FOR or AGAINST the adoption of the Merger Agreement and the approval of the Merger will have the effect of approving or disapproving (as the case may be) all of the Merger Agreement Transactions.

Moreover, you are not being asked to vote on the transactions contemplated by the Kendall Agreement (as defined and described beginning on page 187), which will be completed if the Merger Agreement Transactions are not completed. Thus, a vote AGAINST the adoption of the Merger Agreement and the approval of the Merger will not prevent the completion of the transactions contemplated by the Kendall Agreement.

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

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

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

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

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

increased fuel and dispatch diversity of the combined generation portfolios, and in particular, the opportunity to transform the Dynegy portfolio from one with cash flows primarily provided by coal-fired assets and, to a lesser extent, gas-fired peaking assets, to a New Dynegy portfolio with significant cash flows provided by both the existing Dynegy assets as well as efficient gas-fired intermediate-load assets with significant forward contracts. The Dynegy Board believed that stronger and more stable cash flows, and therefore greater financial stability, would result from the combination than could have been achieved from the existing Dynegy portfolio.

increased geographic diversity, particularly through the expansion of Dynegy's Northeast portfolio and the acquisition of a significant portfolio of power generation facilities in the Western United States. The Dynegy Board believed that such increased geographic diversity would be beneficial due to anticipated continued power demand growth in the Northeast and West.

the acquisition of both a portfolio of development projects that could provide future growth to New Dynegy, including the acquisition of the LS Power Group's approximately 40% undivided interest in the Plum Point power generation facility (Plum Point), a large-scale greenfield coal-fired generation facility under construction in Arkansas, and access to the development expertise of the LS Contributing Entities, a power project developer with a proven track record. The term greenfield project refers to a project that is developed from completely undeveloped sites, often an unused parcel of land. The Dynegy Board did not believe that Dynegy, as a stand-alone entity, had this level of capability to develop greenfield projects, and believed that it was unlikely that Dynegy could obtain that capability on better terms than through the Development LLC.

immediate improvement to financial measurements tied to cash flow, which the Dynegy Board believed would be viewed favorably by the capital markets.

the benefits of consolidation to participants in the merchant power generation industry, consisting primarily of greater portfolio diversification and economies of scale. The Dynegy Board believed that New Dynegy should be better positioned to participate in further potential sector consolidation than Dynegy, as a stand-alone entity, would be.

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the ability to use stock as a significant part of the transaction consideration, resulting in an improved credit profile. The Dynegy Board believed that New Dynegy's quantitative and qualitative credit characteristics, including its ratio of debt to capital, funds flow ratio and the predictability of its cash flow, would represent an improvement over Dynegy's current credit characteristics.

the terms of the current shareholder agreement with Chevron U.S.A. Inc. (Chevron) and the resulting impact of the Merger Agreement Transactions on Chevron's share ownership. As a result of the Merger Agreement Transactions, Chevron will hold shares of New Dynegy's Class A common stock and will no longer have the special shareholder rights it currently has in Dynegy. This was viewed to be beneficial because Dynegy sold its natural gas liquids (NGL) business in 2005, and thus Dynegy's business, and New Dynegy's business in the future, were no longer as consistent with Chevron's business objectives as in the past.

the tax-free nature of the Merger Agreement Transactions to Dynegy's shareholders. The Merger will not result in any adverse tax consequences to a Dynegy shareholder that does not have certain unusual tax attributes.

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

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

A: Yes, there are important risks involved. Before making any decision on whether and how to vote, Dynegy urges you to read carefully and in its entirety the section entitled Risk Factors beginning on page 20.

**Q: Will my rights as a stockholder of New Dynegy be different from my rights as a shareholder of Dynegy?**

A: Yes. As a shareholder of Dynegy (an Illinois corporation), your rights are currently governed by the Illinois Business Corporation Act (the IBCA) and Dynegy's articles of incorporation and bylaws. By voting FOR the adoption of the Merger Agreement and the approval of the Merger, you will be, in effect, approving the reincorporation of Dynegy from Illinois to Delaware, as upon the completion of the Merger you will become a stockholder of New Dynegy (a Delaware corporation). Consequently, your rights will be governed by the Delaware General Corporation Law (the DGCL) and New Dynegy's certificate of incorporation and bylaws.

As a result of the reincorporation, in effect, of Dynegy from Illinois to Delaware, your rights as a New Dynegy stockholder will be different from your rights as a Dynegy shareholder because of differences between the DGCL and the IBCA. Because of such differences, (i) Dynegy shareholders, as stockholders of New Dynegy following the completion of the Merger, will no longer be entitled to cumulative voting in the election of directors, (ii) New Dynegy's directors will be elected by plurality vote (versus the majority voting system for directors currently in effect for Dynegy) and (iii) specified corporate transactions and amendments to specified charter provisions affecting stockholder voting rights will require a majority stockholder vote under New Dynegy's certificate of incorporation rather than the super-majority (two-thirds) shareholder vote currently required under Dynegy's articles of incorporation. For further discussion regarding these differences, please see Comparison of Rights of Dynegy's Shareholders and New Dynegy's Stockholders.

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

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



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

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

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

A: Dynegy's shareholders as of the close of business on January 29, 2007, which is the record date for the special meeting, are entitled to vote at the special meeting. As of January 29, 2007, there were 401,243,690 shares of Dynegy's Class A common stock and 96,891,014 shares of Dynegy's Class B common stock issued and outstanding and entitled to be voted at the special meeting.

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

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

A: Because of limited seating, only Dynegy's shareholders, their proxy holders and Dynegy's guests may attend the special meeting. If you plan to attend the special meeting, you must have been a shareholder of record as of January 29, 2007 or, if you have beneficial ownership of shares of Dynegy's common stock held by a bank, brokerage firm or other nominee, you must bring a brokerage statement or other evidence of your beneficial ownership of Dynegy's common stock as of January 29, 2007 to be admitted to the special meeting. For more detailed information about attending the special meeting, please see "The Special Meeting" Special Meeting Attendance.

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

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

Pursuant to the voting agreement, dated as of September 14, 2006, by and among Chevron and certain of the LS Contributing Entities, Chevron has agreed to vote its shares of Dynegy's Class B common stock in favor of the Merger Agreement and the Merger. Chevron is the holder of all of the issued and outstanding shares of Dynegy's Class B common stock. As of December 31, 2006, the shares of Dynegy's Class B common stock held by Chevron represented approximately 19.4% of Dynegy's outstanding common stock. In addition, Dynegy's executive officers have agreed to vote their shares of Dynegy's common stock in favor of the Merger Agreement and the Merger. As of December 31, 2006, Dynegy's executive officers had the right to vote less than 1% of the shares of Dynegy's common stock outstanding and entitled to vote at the special meeting.

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

A: The record date for the special meeting is January 29, 2007. If you transfer your shares of Dynegy's common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will transfer the right to receive one share of New Dynegy's Class A common stock for each share of Dynegy's common stock you hold (if the Merger is completed) to the person to whom you transfer your shares.



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

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please submit your proxy as soon as possible so that your shares may be represented at the special meeting. If your shares are not held in street name, which means your shares are not held of record by your broker, bank or other nominee, you can submit your proxy (i) by mail by completing, signing and dating the enclosed proxy card and mailing it in the enclosed postage-prepaid envelope for receipt prior to the date of the special meeting or (ii) by telephone or through the Internet until 11:59 p.m., Eastern Time, on March 28, 2007. Instructions for voting by telephone or through the Internet are contained on the enclosed proxy card.

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

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

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

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

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

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

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

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

voting in person at the meeting.

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

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

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

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

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

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

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



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

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

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

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

1000 Louisiana Street, Suite 5800

Houston, Texas 77002

(713) 507-6400

Attention: Investor Relations Department

OR

The Altman Group

1200 Wall Street West, 3rd Floor

Lyndhurst, NJ 07071

(800) 311-8393

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

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**SUMMARY**

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

*We have provided detailed definitions for the power industry terms used in this proxy statement/prospectus in the "Glossary of Power Industry Terms" beginning on page G-1.*

**The Companies**

**DYNEGY INC.**

1000 Louisiana Street

Suite 5800

Houston, Texas 77002

(713) 507-6400

Dynegy produces and sells electric energy, capacity and ancillary services in key U.S. markets. Dynegy's power generation portfolio currently consists of approximately 11,000 megawatts ( MW ) of generating capacity (excluding Dynegy's 351 MW Calcasieu generation facility located in Sulphur, Louisiana, which Dynegy (or New Dynegy, upon the completion of the Merger) expects to sell to Entergy Gulf States, Inc. ( Entergy ) in early 2008 pursuant to an agreement entered into on February 1, 2007) from baseload, intermediate and peaking power plants fueled by a mix of coal, oil and natural gas. The term "capacity" refers to the maximum electric current being transmitted or demanded for which a generation unit is rated. A "baseload plant" operates virtually all the time, a "peaking plant" can be brought online in short order to produce electricity during times of peak demand and an "intermediate plant" serves system requirements that are greater than baseload but less than peakload. "Baseload" refers to the minimum amount of electric power delivered or required over a given period of time, "peakload" refers to the greatest amount of electric power delivered or required during a specified period of time, and "intermediate load" refers to power demand between baseload and peakload. The term "generating unit" or "generation unit" refers to any combination of physically connected generator(s), reactor(s), boiler(s), combustion turbine(s), or other prime mover(s) operated together to produce electric power. A "turbine" is a machine for generating rotary mechanical power from the energy of a stream of fluid (such as water, steam or hot gas).

Dynegy was incorporated in Illinois in 1999. Dynegy's Class A common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "DYN."

**LS CONTRIBUTING ENTITIES**

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

New York, New York 10019

(212) 615-3456

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



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

1000 Louisiana Street

Suite 5800

Houston, Texas 77002

(713) 507-6400

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

**Organization of New Dynegy**

The following chart depicts the anticipated organization of New Dynegy upon the completion of the Merger Agreement Transactions:

**New Dynegy's Business**

**General**

Upon the completion of the Merger Agreement Transactions, New Dynegy's primary business will be the production and sale of electric energy, capacity and ancillary services from its fleet of 29 power generation facilities, with approximately 19,500 MW of generating capacity, operating in 13 states, (i) including Dynegy's 614 MW CoGen Lyondell generation facility located in Houston, Texas, its 576 MW Bluegrass generation facility located in Oldham County, Kentucky and its 539 MW Heard County generation facility located in Heard

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County, Georgia, each of which Dynegy (or New Dynegy, following the completion of the Merger) will seek to sell in 2007 and (ii) excluding Dynegy's 351 MW Calcasieu generation facility located in Sulphur, Louisiana, which Dynegy (or New Dynegy, following the completion of the Merger) expects to sell to Entergy in early 2008.

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

**New Dynegy's Competitive Strengths**

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

*Scale and Diversity of Assets in Key Regions of the United States.* A large portion of Dynegy's generating capacity is coal-fired, while New Dynegy will have a more balanced portfolio of facilities using coal, natural gas and fuel oil as fuel sources. New Dynegy's portfolio will also be more balanced in terms of dispatch type, with a mix of baseload, intermediate and peaking facilities. The addition of the facilities operated by the Contributed Entities in the Western and Northeastern United States will provide greater geographical diversity to the combined power generation fleet. New Dynegy should also be well positioned to meet market needs by providing a variety of electric energy, capacity and ancillary services through both short- and long-term arrangements.

*Financial Stability.* New Dynegy will sell electric energy, capacity and ancillary services through a combination of bilateral negotiated forward contracts and spot market transactions in regional central markets. The term "bilateral forward contract" refers to a direct contract between a buyer and a seller which establishes future prices and quantities of electricity being sold under such contract that will apply regardless of future spot market prices. The term "spot market" refers to a day-ahead or real-time market that determines the prices buyers and sellers are willing to accept near the actual delivery/consumption period. New Dynegy's commercial strategy will be to construct a balanced portfolio of spot, mid- and long-term sales arrangements. The expected cash flows produced by that mix of arrangements should be greater and more stable than those expected from Dynegy and should better support the liquidity and capital needs inherent in New Dynegy's debt maturity schedule and the timing of its expected capital expenditures. New Dynegy should also have the opportunity to benefit from increasing commodity prices, whether as a result of short-term or long-term increases in demand.

*Proven and Mature Asset Development Platform; Repowering and Expansion Opportunities.* In addition to the interest in Plum Point, New Dynegy expects to benefit from the growth prospects offered by several development activities initiated by the LS Contributing Entities. Dynegy does not currently have the personnel and other resources required to undertake new greenfield development projects.

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**New Dynegy's Competitive Weaknesses**

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

*Significant Debt Leverage.* Although Dynegy's capital structure and credit ratings are expected to improve as a result of the Merger Agreement Transactions, New Dynegy will remain a highly-leveraged company and its credit ratings are expected to remain below investment grade. Furthermore, even after giving effect to the credit improvements that are anticipated to result from the Merger Agreement Transactions, New Dynegy's access to capital markets may be limited, and its need for liquidity to meet collateral obligations will be determined in part by market prices for power and natural gas, which are beyond New Dynegy's control and are uncertain.

*Exposure to the Merchant Market.* As is the case with Dynegy, New Dynegy will operate some of its facilities as merchant facilities without term power sales agreements. Although the addition of power-generation facilities with long-term power sales arrangements as part of the Merger Agreement Transactions makes New Dynegy, as a whole, less susceptible to volatility in power and commodity prices than Dynegy currently, New Dynegy's revenues and profitability will still remain subject to such volatility to the extent power sales agreements are not in place with respect to portions of its generating capacity.

For further information regarding New Dynegy's competitive weaknesses, please see Risk Factors.

**Strategy**

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

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

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

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

*Positioned for Regional Market Recovery.* New Dynegy will operate a balanced portfolio of generation assets that is diversified in terms of geography, fuel type and dispatch profile. As a result, New Dynegy believes its substantial coal-fired, baseload fleet should continue to benefit from the impact of higher natural gas prices on power prices in the Midwest and Northeast, allowing it to capture greater margins, while New Dynegy's efficient combined cycle units should provide meaningful cash flows and should benefit from improved margins as demand increases in the Western and New England markets. The term combined cycle refers to an electric generating technology in which additional electricity is produced from otherwise lost waste heat exiting from one or more gas combustion turbines.



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**The Merger and the Contributions**

*The Merger (Page 150)*

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

*Dynegy Shareholder Vote Required (Page 35)*

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

*What Dynegy Shareholders Will Receive in the Merger (Page 150)*

Upon completion of the Merger, each Dynegy shareholder will be entitled to receive one share of Class A common stock, par value \$0.01 per share, of New Dynegy for each share of common stock of Dynegy owned by such shareholder immediately prior to the closing of the Merger. The shares of Dynegy's outstanding Class B common stock, which are held by Chevron, will be exchanged for shares of New Dynegy's Class A common stock upon completion of the Merger. The shares of New Dynegy's Class A common stock issued to Dynegy shareholders in connection with the Merger will constitute approximately 60% of the common stock of New Dynegy that will be outstanding upon the completion of the Merger. Upon the completion of the Merger, New Dynegy's Class A common stock will be listed on the NYSE under the symbol DYN, which is the symbol under which Dynegy's Class A common stock is currently listed on the NYSE.

*What the LS Contributing Entities Will Transfer to New Dynegy (Page 150)*

In connection with the completion of the Merger, the Contributions will be effected by or through:

the sale by the LS Contributing Entities to New Dynegy of all of the outstanding equity interests in certain entities that collectively own an operating power plant in Kendall County, Illinois (known as Kendall) (the Kendall Interests), resulting in New Dynegy owning the Kendall facility;

the transfer by the LS Contributing Entities to New Dynegy of all of the equity interests in certain entities that collectively own nine other operating power plants (known as Ontelaunee, Moss Landing, Morro Bay, South Bay, Oakland, Arlington Valley, Griffith, Bridgeport and Casco Bay) (the Operating Entity Interests), resulting in New Dynegy owning those operating power plants, located in Maine, Connecticut, Pennsylvania, Arizona and California;

the transfer by the LS Contributing Entities to New Dynegy of all of the equity interests in certain entities that collectively own interests in a power plant being constructed in Osceola, Arkansas (known as Plum Point), resulting in New Dynegy owning an approximately 40% undivided ownership interest in Plum Point (the Plum Point interests); and

the transfer by LS Associates to the Development LLC of all of the interests in certain entities that collectively own various power generation development projects (the Development Interests), and the contribution by LS Associates of 50% of the membership interests in the Development LLC to New Dynegy, resulting in New Dynegy owning a 50% interest in these power generation development projects through the Development LLC.





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Following the completion of the Merger, LS Associates and New Dynegy intend to contribute their interests in certain other development projects to the Development LLC.

*What the LS Contributing Entities Will Receive from New Dynegy for the Contributions (Page 151)*

In connection with the Contributions, the LS Contributing Entities will receive 340 million shares of Class B common stock, par value \$0.01 per share, of New Dynegy, which shares will represent approximately 40% of New Dynegy's common stock that will be outstanding upon the completion of the Merger. The LS Contributing Entities will also receive an aggregate of \$100 million in cash and \$275 million in aggregate principal amount of the New Dynegy Notes. New Dynegy will have the right to repay the New Dynegy Notes at any time and may elect to do so in connection with the Merger or soon thereafter.

**The Merger Agreement**

The Merger Agreement, a summary of which is provided beginning on page 150 of this proxy statement/prospectus, is attached as Annex A to this proxy statement/prospectus. You are urged to read the entire Merger Agreement carefully.

**Recommendation of Dynegy's Board of Directors (Page 41)**

Dynegy's board of directors has unanimously determined that the Merger Agreement and the Merger Agreement Transactions are advisable, fair to and in the best interests of Dynegy's shareholders, and has unanimously approved the Merger Agreement and the Merger Agreement Transactions. Dynegy's board of directors recommends that you vote **FOR** the adoption of the Merger Agreement and the approval of the Merger.

**Opinions of Financial Advisors (Page 43)**

In connection with the Merger, Dynegy's board of directors received the written opinions of Credit Suisse Securities (USA) LLC (Credit Suisse) and Greenhill & Co., LLC (Greenhill), each dated September 14, 2006, which provided that, as of that date, and based upon and subject to the matters set forth in their respective opinions, the consideration to be received by the holders of Dynegy's Class A common stock in the Merger was fair, from a financial point of view, to the holders of Dynegy's Class A common stock.

The full text of the written opinions of Credit Suisse and Greenhill are attached hereto as Annex G and Annex H, respectively. The Credit Suisse and Greenhill opinions were provided to Dynegy's board of directors in connection with its evaluation of the consideration to be received by the holders of Dynegy's Class A common stock, do not address any other aspect of the Merger Agreement Transactions and are not recommendations as to how any holder of Dynegy's Class A common stock should vote with respect to the Merger Agreement and the Merger. You are urged to read these opinions, as well as the descriptions of the procedures followed, assumptions made, matters considered and limitations on the reviews undertaken set forth in the section entitled **The Merger Opinions of Financial Advisors to Dynegy**.

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**Material U.S. Federal Income Tax Consequences (Page 61)**

The parties have structured the Contributions and the Merger to qualify as exchanges under Section 351 of the Internal Revenue Code of 1986, as amended (the Code). The conversion of Dynegy shares to New Dynegy shares will generally not be taxable to Dynegy's shareholders. The completion of the Merger Agreement Transactions (which include the Contributions and the Merger) is conditioned upon, among other things, the LS Contributing Entities receiving an opinion from Cravath, Swaine & Moore LLP regarding the tax treatment of the Merger Agreement Transactions as exchanges under Section 351 of the Code. You are urged to carefully review the discussion set forth under The Merger Material U.S. Federal Income Tax Consequences to Dynegy's Shareholders.

**Regulatory Approvals (Page 65)**

All regulatory approvals required for the Merger Agreement Transactions have been obtained. For further information regarding the submitted filings and the status of the required orders or approvals, see The Merger Regulatory Approvals.

**New Dynegy Certificate of Incorporation and Bylaws (Annexes B and C)**

Effective upon the closing of the Merger Agreement Transactions, New Dynegy's certificate of incorporation and bylaws will be amended (as amended, New Dynegy's Certificate of Incorporation and New Dynegy's Bylaws, respectively) to set forth certain rights, preferences, powers and restrictions of the capital stock of New Dynegy and will govern certain aspects of the internal affairs of New Dynegy. A summary of these rights is set forth in Other Agreements and Documents Certificate of Incorporation of New Dynegy and Other Agreements and Documents Bylaws of New Dynegy, respectively. New Dynegy's Certificate of Incorporation and New Dynegy's Bylaws, in the forms which give effect to the closing date amendments, are attached as Annex B and Annex C, respectively, to this proxy statement/prospectus.

You are urged to read these documents, as they will govern your rights as a stockholder of New Dynegy, which will be different from your rights currently as a Dynegy shareholder. For further discussion regarding these differences, please see Comparison of Rights of Dynegy's Shareholders and New Dynegy's Stockholders.

**Dissenters' Rights of Dynegy's Shareholders (Page 68)**

Dynegy's shareholders who do not vote to adopt the Merger Agreement and approve the Merger and who follow the procedures specified under the IBCA, which procedures are summarized on page 68 of this proxy statement/prospectus and set forth in their entirety in Annex F to this proxy statement/prospectus, shall have the right to dissent from the Merger Agreement and Merger and obtain payment for the estimated fair value of their shares of Dynegy's common stock in the event of the completion of the Merger. Failure to vote against the adoption of the Merger Agreement and approval of the Merger will not waive a shareholder's dissenters' rights, as long as the shareholder has not voted in favor of adoption of the Merger Agreement and approval of the Merger and has complied in all other respects with the IBCA in preserving the shareholder's dissenters' rights.

**Table of Contents****Index to Financial Statements****SUMMARY HISTORICAL AND UNAUDITED PRO FORMA CONDENSED****CONSOLIDATED/COMBINED FINANCIAL DATA****Summary Historical Consolidated Financial Data of Dynege**

The following summary historical consolidated financial data of Dynege as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 have been derived from Dynege's audited consolidated financial statements incorporated by reference herein. The following summary historical consolidated financial data of Dynege as of December 31, 2001, 2002 and 2003 and for the years ended December 31, 2001 and 2002 have been derived from Dynege's audited consolidated financial statements which are not included in, or incorporated by reference in, this proxy statement/prospectus. The following summary historical consolidated financial data of Dynege as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 have been derived from Dynege's unaudited condensed consolidated financial statements incorporated by reference herein. Dynege's unaudited condensed consolidated financial statements were prepared on a basis consistent with that used in preparing its audited consolidated financial statements and include all material adjustments that, in the opinion of Dynege's management, are necessary for a fair presentation of Dynege's financial position and results of operations for the unaudited periods.

The summary historical consolidated financial data of Dynege set forth below should be read in conjunction with Dynege's Management's Discussion and Analysis of Financial Condition and Results of Operations and Dynege's historical consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, and in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, each incorporated by reference herein. Historical results are not necessarily indicative of results that may be expected for any future period. Dynege's historical consolidated financial statements as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, were impacted by significant items in each of the years presented, which are summarized in Dynege's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, in Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Summary Financial Information. Dynege's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, includes restatements of (i) its consolidated balance sheet and consolidated statement of stockholders' equity as of December 31, 2005 and its consolidated statements of operations, cash flows and comprehensive income (loss) for the year ended December 31, 2005 and (ii) its consolidated balance sheet and consolidated statement of stockholders' equity as of December 31, 2004 and periods prior to 2004. These restatements are reflected in all periods presented herein. The historical results of Dynege and of the Contributed Entities are not necessarily indicative of the results that may be expected for New Dynege for any future period.

	2001	Year Ended December 31,			2005	Nine Months Ended September 30, 2005 2006 (unaudited)	
		2002	2003	2004		2005	2006
	(in millions, except per share data)						
<b>Statement of operations data:</b>							
Revenues	\$ 3,635	\$ 2,109	\$ 2,599	\$ 2,451	\$ 2,313	\$ 1,691	\$ 1,620
Depreciation and amortization expense	(368)	(378)	(373)	(235)	(220)	(165)	(174)
Goodwill impairment		(814)	(311)				
Impairment and other charges		(176)	(225)	(78)	(46)	(6)	(107)
General and administrative expenses	(385)	(297)	(315)	(330)	(468)	(421)	(160)
Operating income (loss)	823	(1,146)	(769)	(100)	(838)	(384)	79
Debt conversion expense							(249)
Interest expense	(201)	(241)	(503)	(453)	(389)	(284)	(310)
Income tax benefit (expense)	(320)	337	296	172	395	228	154
Income (loss) from continuing operations	423	(1,217)	(813)	(180)	(804)	(417)	(279)
Income (loss) from discontinued operations	(24)	(1,136)	81	165	912	209	3
Cumulative effect of change in accounting principles	2	(234)	40		(5)		1
Net income (loss)	401	(2,587)	(692)	(15)	103	(208)	(275)
Net income (loss) applicable to common shareholders	359	(2,917)	321	(37)	81	(225)	(284)



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	2001	Year Ended December 31,				Nine Months Ended September 30,	
		2002	2003	2004	2005	2005	2006
		(unaudited)					
	(in millions, except per share data)						
Basic earnings (loss) per share from continuing operations	\$ 1.17	\$ (4.23)	\$ 0.53	\$ (0.53)	\$ (2.13)	\$ (1.13)	\$ (0.65)
Diluted earnings (loss) per share from continuing operations	\$ 1.12	\$ (4.23)	\$ 0.50	\$ (0.53)	\$ (2.13)	\$ (1.13)	\$ (0.65)
Weighted average shares outstanding for basic EPS calculation	326	366	374	378	387	383	446
Weighted average shares outstanding for diluted EPS calculation	340	370	423	504	513	509	512

	As of December 31,					As of September 30,	
	2001	2002	2003	2004	2005	2006	
	(unaudited)						
	(in millions, except per share data)						
<b>Balance sheet data:</b>							
Current assets	\$ 8,944	\$ 7,574	\$ 3,074	\$ 2,728	\$ 3,706	\$ 1,616	
Current liabilities	8,538	6,748	2,450	1,802	2,116	888	
Property, plant and equipment, net	9,269	8,458	8,178	6,130	5,323	5,005	
Total assets	25,074	20,020	12,801	9,843	10,126	7,507	
Long-term debt (excluding current portion)	5,016	5,454	5,893	4,332	4,228	3,362	
Notes payable and current portion of long-term debt	458	861	331	34	71	48	
Total stockholders' equity	4,956	2,256	1,975	1,956	2,140	2,314	
Book value per basic shares outstanding (a)	\$ 13.92	\$ 6.06	\$ 5.24	\$ 5.12	\$ 5.32	\$ 4.63	

(a) Basic shares outstanding at December 31, 2001, 2002, 2003, 2004 and 2005 and at September 30, 2006 were approximately 356 million, 372 million, 377 million, 382 million, 402 million and 500 million, respectively.

**Table of Contents****Index to Financial Statements****Summary Historical Combined Financial Data of the Power Generation Business of LS Power Development, LLC and Affiliates**

The following summary historical combined financial data of the Power Generation Business of LS Power Development, LLC and Affiliates as of December 31, 2005 and for the year ended December 31, 2005 have been derived from the audited historical combined financial statements of the Power Generation Business of LS Power Development, LLC and Affiliates included elsewhere in this proxy statement/prospectus. The following summary historical combined financial data of the Power Generation Business of LS Power Development, LLC and Affiliates as of December 31, 2004 and for the period from December 1, 2004 until December 31, 2004 have been derived from the unaudited historical combined financial statements of the Power Generation Business of LS Power Development, LLC and Affiliates included elsewhere in the proxy statement/prospectus. Also included are the unaudited predecessor financial statements for the periods from January 1, 2004 until November 30, 2004, January 1, 2003 to December 5, 2003, and December 6, 2003 to December 31, 2003. The following summary historical combined financial data of the Power Generation Business of LS Power Development, LLC and Affiliates as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 have been derived from the unaudited condensed combined financial statements of the Power Generation Business of LS Power Development, LLC and Affiliates included elsewhere in this proxy statement/prospectus.

The combined financial data and financial statements of the Power Generation Business of LS Power Development, LLC and Affiliates reflects the financial condition, results of operations and cash flow of the Contributed Entities as described therein. The unaudited condensed combined financial statements of the Power Generation Business of LS Power Development, LLC and Affiliates were prepared on a basis consistent with that used in preparing its audited combined financial statements and include all material adjustments that, in the opinion of the Contributed Entities management, are necessary for a fair presentation of the Contributed Entities financial position and results of operations for the unaudited periods.

The summary historical combined financial data of the Power Generation Business of LS Power Development, LLC and Affiliates set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of the Contributed Entities and the historical combined financial statements and the notes thereto of the Power Generation Business of LS Power Development, LLC and Affiliates included elsewhere in this proxy statement/prospectus. Because of the timing of acquisitions, period-to-period comparisons and analyses of financial condition and results of operations of the Power Generation Business of LS Power Development, LLC and Affiliates may not be helpful for understanding the financial and operational performance of the Contributed Entities as a whole. In particular, the financial condition, results of operations and cash flows of Ontelaunee and the LS Generation Facilities (as defined on page 116) have not been included in the combined financial statements of the Power Generation Business of LS Power Development and Affiliates as of any dates or for any periods prior to their acquisition by the LS Power Group.

	Period from January 1, 2003 to December 5, 2003 (unaudited)	Period from December 6, 2003 to December 31, 2003 (unaudited)	Period from January 1, 2004 through November 30, 2004 (unaudited)	Period from December 1, 2004 until December 31, 2004 (unaudited) (in millions)	Year Ended December 31, 2005	Nine Months Ended September 30,	
						2005 (unaudited)	2006 (unaudited)
<b>Statement of operations data:</b>							
Revenues	\$ 61	\$ 5	\$ 73	\$ 3	\$ 66	\$ 54	\$ 665
Depreciation expense	(23)	(1)	(14)		(7)	(4)	(33)
General and administrative expenses	(2)		(6)		(5)	(2)	(18)
Operating income (loss)	(210)	2	3		(6)	4	93
Interest expense	(21)	(2)	(34)	(4)	(57)	(34)	(105)
Net income (loss)	\$ (232)	\$	\$ (21)	\$ (2)	\$ (49)	\$ (17)	\$ 40

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	2003 (unaudited)	As of December 31, 2004 (unaudited)	2005  (in millions)	As of September 30, 2006 (unaudited)
<b>Balance sheet data:</b>				
Current assets	\$ 40	\$ 55	\$ 50	\$ 406
Current liabilities	476	9	158	121
Property, plant and equipment, net	558	142	349	2,145
Total assets	598	475	665	3,272
Long-term debt (excluding current portion)		439	401	2,172
Notes payable and current portion of long-term debt	457	1	145	31
Total owners' equity	\$ 2	\$	\$ 93	\$ 749



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**Summary Unaudited Pro Forma Condensed Combined Financial Data of New Dynegy**

The following summary unaudited pro forma condensed combined statement of operations data of New Dynegy for the year ended December 31, 2005 and for the nine months ended September 30, 2006 give effect to the Merger Agreement Transactions as if these transactions had been completed on January 1, 2005. The following summary unaudited pro forma condensed combined balance sheet data of New Dynegy as of September 30, 2006 give effect to the Merger Agreement Transactions as if these transactions had been completed on September 30, 2006.

The summary unaudited pro forma condensed combined financial data of New Dynegy for the year ended December 31, 2005 and as of and for the nine months ended September 30, 2006 are based on the unaudited pro forma condensed combined financial information set forth elsewhere in this proxy statement/prospectus. See Unaudited Pro Forma Condensed Combined Financial Information. Such financial data do not purport to reflect what New Dynegy's actual results of operations and financial position would have been had the Merger Agreement Transactions in fact occurred (i) as of January 1, 2005 (in the case of the unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2005 and the nine months ended September 30, 2006) or (ii) as of September 30, 2006 (in the case of the unaudited pro forma condensed combined balance sheet data as of September 30, 2006), nor are they necessarily indicative of the results of operations that New Dynegy may achieve in the future.

The summary unaudited pro forma condensed combined financial data of New Dynegy set forth below should be read in conjunction with Dynegy's Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in Dynegy's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, and in Dynegy's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, each incorporated by reference herein. The summary unaudited pro forma condensed combined financial data of New Dynegy set forth below should also be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information and the historical financial statements of the Power Generation Business of LS Power Development, LLC and Affiliates and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Contributed Entities included herein. The historical results of Dynegy and of the Contributed Entities are not necessarily indicative of the results that may be expected for New Dynegy for any future period.

The pro forma financial information included herein does not include adjustments for any transactions other than the transactions contemplated by the Merger Agreement Transactions. During 2006, Dynegy executed various debt and equity transactions which are more fully described in Management's Discussion and Analysis of Financial Condition and Results of Operations in Dynegy's Quarterly Report on Form 10-Q for the period ended September 30, 2006. Additionally, the financial condition, results of operations and cash flows of Ontelaunee and the LS Generation Facilities have not been included in the combined financial statements of the Power Generation Business of LS Power Development and Affiliates as of any dates or for any periods prior to their acquisition by the LS Power Group.

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	<b>Pro Forma Year Ended December 31, 2005</b>	<b>Pro Forma Nine Months Ended September 30, 2006</b>
	(unaudited)	
	(in millions, except per share data)	
<b>Statement of operations data:</b>		
Revenues	\$ 2,345	\$ 2,264
Depreciation and amortization expense	(288)	(253)
Impairment and other charges	(46)	(107)
General and administrative expenses	(473)	(178)
Operating income (loss)	(877)	157
Debt conversion expense		(249)
Interest expense	(478)	(440)
Income tax benefit	423	170
Loss from continuing operations	(902)	(271)
Basic loss per share from continuing operations	\$ (1.27)	\$ (0.36)
Diluted loss per share from continuing operations	\$ (1.27)	\$ (0.36)
Weighted average shares outstanding for basic EPS calculation	727	786
Weighted average shares outstanding for diluted EPS calculation	853	852
		<b>Pro Forma As of September 30, 2006</b>
		(unaudited)
		(in millions, except per share data)
<b>Balance sheet data:</b>		
Current assets		\$ 1,884
Current liabilities		1,054
Property, plant and equipment, net		9,002
Goodwill		768
Total assets		13,023
Long-term debt (excluding current portion)		