DYNEGY INC.
Form DEF 14A
April 06, 2009

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

Dynegy Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x 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:

(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:

April 6, 2009

To our stockholders:

It is my pleasure to invite you to attend the 2009 annual meeting of stockholders of Dynegy Inc., which will be held on May 22, 2009 at 10:00 a.m., local time, at Dynegy s headquarters, Wells Fargo Plaza, 1000 Louisiana Street, Houston, Texas 77002.

At the annual meeting, in addition to acting on the matters described in the proxy statement, we plan to review our 2008 accomplishments and discuss our strategy for creating long-term stockholder value. There will also be an opportunity to discuss other matters of interest to you as a stockholder.

We again are taking advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders over the Internet. We believe that these rules allow us to provide our stockholders with the information they desire, while lowering costs of delivery and reducing the environmental impact of our annual meeting.

As Dynegy stockholders, your vote is important. Whether or not you will attend the annual meeting in person, it is important that your shares be represented. Please vote as soon as possible.

Because of limited seating, only stockholders, their proxy holders and our guests may attend the annual meeting. If you plan to attend the annual meeting, you must be a stockholder of record as of March 24, 2009 or, if you have beneficial ownership of shares of our 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 common stock as of March 24, 2009 in order to be admitted to the annual meeting.

I look forward to seeing you in Houston on May 22, 2009.

Sincerely,

Bruce A. Williamson
Chairman of the Board, President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD FRIDAY, MAY 22, 2009

To our stockholders:

NOTICE IS HEREBY GIVEN, that the 2009 annual meeting of stockholders of Dynegy Inc., a Delaware corporation, will be held on Friday, May 22, 2009 at 10:00 a.m., local time, at Dynegy s headquarters, Wells Fargo Plaza, 1000 Louisiana Street, Houston, Texas 77002 for the following purposes:

1. To elect eight Class A common stock directors and three Class B common stock directors to serve until the 2010 annual meeting of stockholders;

2. To act upon a proposal to ratify the appointment of Ernst & Young LLP as Dynegy s independent registered public accountants for the fiscal year ending December 31, 2009; and

3. If properly presented at the annual meeting, to act upon a stockholder proposal regarding greenhouse gas emissions.

Additionally, if needed, the stockholders may act upon any other matters that may properly come before the meeting (including a proposal to adjourn the meeting to solicit additional proxies) or any reconvened meeting after an adjournment or postponement of the meeting.

The close of business on March 24, 2009 has been fixed as the record date for the determination of stockholders entitled to receive notice of and to vote at the annual meeting and any reconvened meeting after an adjournment or postponement of the meeting.

You are cordially invited to attend the meeting. **WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE AS SOON AS POSSIBLE.**

By Order of the Board of Directors,

Kimberly M. O Brien
Corporate Secretary

April 6, 2009

DYNEGY INC.

1000 Louisiana Street, Suite 5800

Houston, Texas 77002

(713) 507-6400

PROXY STATEMENT

GENERAL INFORMATION

Why am I receiving these materials?

The Board of Directors of Dynegy Inc., or the Board, has made these materials available to you over the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Board s solicitation of proxies for use at the 2009 annual meeting of stockholders, or the annual meeting. The annual meeting is scheduled to be held on Friday, May 22, 2009 at 10:00 a.m., local time, at Dynegy s headquarters, Wells Fargo Plaza, 1000 Louisiana Street, Houston, Texas 77002. This solicitation is for proxies for use at the annual meeting or at any reconvened meeting after an adjournment or postponement of the annual meeting.

What is included in these materials?

These materials include our proxy statement for the annual meeting and our 2008 Annual Report to Stockholders, or Annual Report, which includes our audited consolidated financial statements. If you requested printed versions of these materials, a proxy card for the annual meeting is also included.

What items will be voted on at the annual meeting?

There are three items that will be voted on at the annual meeting:

1. To elect eight Class A common stock directors and three Class B common stock directors to serve until the 2010 annual meeting of stockholders;

2. To act upon a proposal to ratify the appointment of Ernst & Young LLP as Dynegy s independent registered public accountants for the fiscal year ending December 31, 2009; and

3. If properly presented at the annual meeting, to act upon a stockholder proposal regarding greenhouse gas emissions.

Additionally, if needed, the stockholders may act upon any other matters that may properly come before the meeting (including a proposal to adjourn the meeting to solicit additional proxies) or any reconvened meeting after an adjournment or postponement of the meeting.

What are the Board s voting recommendations?

The persons named as proxies were designated by the Board. Any proxy given pursuant to this solicitation and received prior to the annual meeting will be voted as specified in the proxy card. If you return a properly executed proxy card but do not mark any voting selections, then your proxy will be voted as follows in accordance with the recommendations of the Board: **FOR** the election of the nominees to the Board; **FOR** ratification of the appointment of Ernst & Young LLP as our independent registered public accountants; **AGAINST** the stockholder proposal regarding greenhouse gas emissions; and in accordance with the judgment of the persons named as proxies on such other matters as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to the rules adopted by the Securities and Exchange Commission, or SEC, we are providing electronic access to our proxy materials over the Internet. Accordingly, we sent a Notice of Internet Availability of Proxy Materials, or Notice, to our stockholders of record and beneficial owners, which was first mailed on or about April 6, 2009. Instructions on how to access the proxy materials over the Internet are included in the Notice.

Stockholders may also request via the Internet to receive a printed set of the proxy materials at *www.proxyvote.com*, by sending an email to *sendmaterial@proxyvote.com,* or calling 1-800-579-1639. In addition, stockholders may request via the Internet, telephone or by email to receive proxy materials in printed form on an ongoing basis.

Current and prospective investors can also access or order free copies of our Annual Report, proxy statement, Notice and other financial information through the Investor Relations section of our web site at *www.dynegy.com*, by calling 713-507-6400 or by writing to Investor Relations Department, Dynegy Inc., 1000 Louisiana Street, Suite 5800, Houston, Texas 77002.

How can I get electronic access to the proxy materials?

The Notice provides you with instructions regarding how to:

- View proxy materials for the annual meeting on the Internet; and

- Instruct us to send our future proxy materials to you electronically by email.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it. Internet/Telephone voting for the annual meeting will close at 11:59 p.m., Eastern Time, on May 21, 2009.

Why did I only receive one set of materials when there is more than one stockholder at my address?

If two or more stockholders share one address, each such stockholder may not receive a separate copy of our Annual Report, proxy statement or Notice. Stockholders who do not receive a separate copy of our Annual Report, proxy statement or Notice and want to receive a separate copy may request to receive a separate copy of, or additional copies of, our Annual Report, proxy statement or Notice via the Internet, email or telephone as outlined above. Stockholders who share an address and receive multiple copies of our Annual Report, proxy statement or Notice may also request to receive a single copy following the instructions above.

What is the quorum requirement for the annual meeting?

The following quorum requirements apply to the matters to be considered at the annual meeting.

- The presence of a majority of the shares of our Class A common stock represented in person or by proxy at the annual meeting and entitled to vote on the election of the Class A common stock directors will constitute a quorum for that matter;

- The presence of a majority of the shares of our Class B common stock represented in person or by proxy at the annual meeting and entitled to vote on the election of the Class B common stock directors will constitute a quorum for that matter; and

The presence of a majority of the shares of our Class A common stock and our Class B common stock, counted together, represented in person or by proxy at the annual meeting and entitled to vote on the ratification of independent registered public accountants and stockholder proposal regarding greenhouse gas emissions will constitute a quorum for these matters.

Abstentions and broker non-votes are counted in determining the number of shares represented in person or by proxy at the annual meeting.

Who may vote at and attend the annual meeting?

Because of limited seating, only stockholders, their proxy holders and our guests may attend the annual meeting. If you owned shares of Dynegy s Class A common stock and/or Class B common stock at the close of business on March 24, 2009, the record date, then you may attend and vote at the annual meeting or any adjournment or postponement of the annual meeting. If you have beneficial ownership of shares of our 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 common stock as of March 24, 2009 in order to be admitted to the annual meeting.

As of the record date, there were outstanding 503,919,244 shares of Class A common stock and 340,000,000 shares of Class B common stock. Class A common stock and Class B common stock are the only classes of outstanding securities entitled to notice of and to vote at the annual meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner of shares held in street name?

Stockholder of Record. If your shares are registered in your name with our transfer agent, Mellon Investor Services LLC (operating under the service name BNY Mellon Shareowner Services), you are considered the stockholder of record with respect to those shares, and the Notice was sent directly to you by Dynegy.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in street name and the Notice was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

If I am a stockholder of record of Dynegy s shares, how do I vote?

If you are a stockholder of record, you may vote in person at the annual meeting. We will give you a ballot when you arrive. If you do not wish to vote in person or if you will not be attending the annual meeting, you may vote by proxy. You may vote by proxy over the Internet by following the instructions provided in the Notice, by telephone, or, if you requested printed copies of the proxy materials, you may also vote by mail.

If I am a beneficial owner of shares held in street name, how do I vote?

If you are a beneficial owner of shares held in street name and you wish to vote in person at the annual meeting, you must obtain a valid proxy from the organization that holds your shares. If you do not wish to vote in person or you will not be attending the annual meeting, you may vote by proxy. You may vote by proxy over the Internet by following the instructions provided in the Notice, by telephone, or, if you requested printed copies of the proxy materials, you may also vote by mail.

What happens if I do not give specific voting instructions?

Stockholder of Record. If you are a stockholder of record and you:

indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board; or

if you sign and return a proxy card without giving specific voting instructions,

then the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the annual meeting.

Beneficial Owner of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of the New York Stock Exchange, or NYSE, in effect at the time this proxy statement was printed, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform our Inspector of Election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as broker non-vote. When our Inspector of Election tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not otherwise be counted. We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice.

Which ballot measures are considered routine or non-routine ?

Proposal 1 (Election of Directors) and Proposal 2 (Ratification of Independent Registered Public Accountants) involve matters that we believe will be considered routine.

Proposal 3 (Stockholder Proposal Regarding Greenhouse Gas Emissions) involves a matter that we believe will be considered non-routine.

How are abstentions and broker non-votes treated?

Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining a quorum, as will broker non-votes. A broker non-vote occurs when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given.

For the purpose of determining whether the stockholders have approved the election of the Class A common stock directors or the Class B common stock directors, abstentions and broker non-votes are not treated as a vote cast affirmatively or negatively, and therefore will have no effect on the outcome of the election.

For the purposes of ratifying the appointment of Ernst & Young as the Company s independent registered public accountants and, if properly presented, acting upon a stockholder proposal regarding greenhouse gas emissions, abstentions and broker non-votes will have the same effect as a vote **AGAINST** the ratification of independent registered public accountants and the stockholder proposal.

What is the voting requirement to approve each of the proposals?

The following table sets forth the voting requirement with respect to each of the proposals:

Proposal 1 Election of eight Class A common stock directors and three Class B common stock directors to serve until the 2010 annual meeting of stockholders	Eleven persons have been nominated by the Board for election to serve as directors for one-year terms. In accordance with our Amended and Restated Certificate of Incorporation, or our Certificate of Incorporation, of the eleven director nominees, eight are to be elected by the holders of our Class A common stock and three are to be elected by the holders of our Class B common stock.

Class A Directors: The holders of our Class A common stock are entitled to vote on the election of the Class A common stock directors. The Class A common stock directors are elected by a plurality of the shares of Class A common stock represented in person or by proxy and entitled to vote on the election of Class A common stock directors, subject to our majority voting policy discussed below. This means that the eight individuals nominated for election to the Board as Class A common stock directors who receive the most **FOR** votes among votes properly cast in person or by proxy will be elected. Each holder of our Class A common stock is entitled to one vote for each share held and does not have cumulative voting rights. Holders of our Class B common stock do not vote in the election of Class A common stock directors.

Class B Directors: The holders of our Class B common stock are entitled to vote on the election of the Class B common stock directors. The Class B common stock directors are elected by a plurality of the shares of Class B common stock represented in person or by proxy and entitled to vote on the election of Class B common stock directors. This means that the three individuals nominated for election to the Board as Class B common stock directors who receive the most **FOR** votes among votes properly cast in person or by proxy will be elected. Each holder of our Class B common stock is entitled to one vote for each share held and does not have cumulative voting rights. Holders of our Class A common stock do not vote in the election of Class B common stock directors.

Only **FOR** or **WITHHELD** votes are counted in determining whether a plurality has been cast in favor of a director nominee. Abstentions and broker non-votes are not counted for purposes of election of directors. If you withhold authority to vote with respect to the election of some or all of the director nominees for which you are entitled to vote, your shares will not be voted with respect to those nominees indicated. A **WITHHELD** vote will have the same effect as a vote against the election of that director nominee under our majority voting policy, which is described below.

Majority voting policy: In April 2007, we adopted a majority voting policy for our Class A common stock directors. This policy states that in an uncontested election like this one, any director nominee who receives a greater number of votes **WITHHELD** for his or her election than votes **FOR** such election must offer his or her

	resignation to the Board promptly following certification of the stockholder vote. The Corporate Governance and Nominating Committee is required to recommend to the Board whether such offered resignation should be accepted or rejected. The Board will determine whether to accept or reject the resignation offer and will promptly disclose its decision-making process and decision regarding an offered resignation in a document furnished to or filed with the SEC. Please read our Corporate Governance Guidelines posted in the Corporate Governance section of our web site at *www.dynegy.com* for more information regarding our majority voting policy.
Proposal 2 Ratification of the appointment of Ernst & Young LLP as Dynegy s independent registered public accountants for the fiscal year ending December 31, 2009	The affirmative vote of a majority of the shares of Class A common stock and Class B common stock voting as a single class, represented in person or by proxy and entitled to vote, is required to ratify the choice of independent registered public accountants. Each holder of our Class A common stock and Class B common stock is entitled to one vote for each share held. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the ratification of independent registered public accountants.
Proposal 3 Act upon a stockholder proposal regarding greenhouse gas emissions	The affirmative vote of a majority of the shares of Class A common stock and Class B common stock voting as a single class, represented in person or by proxy and entitled to vote, is required to approve the stockholder proposal. Each holder of our Class A common stock and Class B common stock is entitled to one vote for each share held. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the stockholder proposal.

May I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the annual meeting by:

- Executing and submitting a revised proxy (including a telephone or Internet vote, which must be received by 11:59 p.m., Eastern Time, on May 21, 2009);
- Sending written notice of revocation to our Corporate Secretary at the address provided below (which must be received by 11:59 p.m., Eastern Time, on May 21, 2009); or
- Voting in person at the annual meeting.

In the absence of a revocation, shares represented by proxies will be voted at the annual meeting.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Dynegy or to third parties, except:

- As necessary to meet applicable legal requirements;
- To allow for the tabulation and certification of votes; and
- To facilitate a successful proxy solicitation.

With respect to shares of our Class A common stock held by 401(k) plans, Fiduciary Counselors Inc. has been appointed to act as the independent fiduciary responsible for ensuring that procedures are in place to safeguard the confidentiality of your proxy directions to the trustee and that those procedures are being followed.

Who is paying the cost of this proxy solicitation?

We will bear the cost of soliciting proxies. Proxies may be solicited by mail or facsimile, or by our directors, officers or employees, without extra compensation, in person or by telephone. We have retained The Altman Group, Inc. to assist in the solicitation of proxies for a fee of approximately $20,000 plus out-of-pocket expenses. We 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 our common stock.

What if I have questions about the proposals?

Questions concerning the proposals to be acted upon at the annual meeting should be directed to our Corporate Secretary. The mailing address of this office is 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, and the telephone number is (713) 507-6400.

How can I find out if I am a stockholder of record entitled to vote?

For a period of at least ten days before the annual meeting, a complete list of stockholders of record entitled to vote at the annual meeting will be available during ordinary business hours at our principal executive office for inspection by stockholders of record for proper purposes. The list of stockholders will also be available at the annual meeting and may be inspected by any stockholder who is present.

REFERENCES TO DYNEGY

Unless otherwise indicated, references to Dynegy, the Company, we, our, and us in the biographical and compensation information for direc and executive officers below refers to Board membership, employment and compensation with respect to Dynegy Inc.

Incorporation by Reference

To the extent that this proxy statement is incorporated by reference into any other filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Exchange Act, the sections of this proxy statement entitled Compensation and Human Resources Committee Report and Audit and Compliance Committee Report will not be deemed incorporated unless specifically provided otherwise in such filing, to the extent permitted by the rules of the SEC. Information contained on or connected to our web site is not incorporated by reference into this proxy statement and should not be considered part of this proxy statement or any other filing that we make with the SEC.

CORPORATE GOVERNANCE

In November 2008, the Board unanimously adopted amended and restated Corporate Governance Guidelines. The Corporate Governance Guidelines, which were developed and recommended by the Corporate Governance and Nominating Committee, are posted in the Corporate Governance section of our web site at *www.dynegy.com* and are available upon request to our Corporate Secretary, together with the following documents:

- Amended and Restated Certificate of Incorporation;
- Amended and Restated Bylaws;
- Code of Business Conduct and Ethics;
- Code of Ethics for Senior Financial Professionals;
- Related Party Transactions Policy;
- Complaint and Reporting Procedures for Accounting and Auditing Matters (Whistleblower Policy);
- Policy for Communications with Directors;
- Audit and Compliance Committee Charter;
- Compensation and Human Resources Committee Charter;
- Corporate Governance and Nominating Committee Charter; and
- Performance Review Committee Charter.

Corporate Governance Guidelines

Our Corporate Governance Guidelines govern the qualifications and conduct of the Board. The Corporate Governance Guidelines address, among other things:

- The independence and other qualifications of our Board members, with respect to which we require that at least 60% of our Board members be independent of Dynegy and our management;
- The requirement that any Class A common stock director nominee in an uncontested election who receives a greater number of votes withheld for his or her election than votes for such election must offer his or her resignation to the Board;

- The regular meetings of our non-employee and independent directors and the roles and duties of the Lead Director;
- The nomination of persons for election to the Board;
- The evaluation of performance of the Board and its committees;
- Our expectation that our Board members will attend all annual stockholder meetings;
- Compensation of the Board and stock ownership guidelines for Class A non-employee directors;
- The Chairman of the Board, or Chairman, and Chief Executive Officer positions;
- The approval of the compensation of the Chief Executive Officer; and
- The review of performance-based compensation of our senior executives following a restatement that impacts the achievement of performance targets relating to that compensation.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics applies to all of our directors, officers and employees. The key principles of this code include acting legally and ethically, notifying appropriate persons upon becoming aware of issues, obtaining confidential advice and dealing fairly with our stakeholders.

Code of Ethics for Senior Financial Professionals

Our Code of Ethics for Senior Financial Professionals applies to our Chief Executive Officer, Chief Financial Officer, Controller and other designated senior financial professionals. The key principles of this code include acting legally and ethically, promoting honest business conduct and providing timely and meaningful financial disclosures to our stockholders.

Complaint and Reporting Procedures for Accounting and Auditing Matters

Our Complaint and Reporting Procedures for Accounting and Auditing Matters provide for (1) the receipt, retention and treatment of complaints, reports and concerns regarding accounting, internal accounting controls or auditing matters, and (2) the confidential, anonymous submission of complaints, reports and concerns by employees regarding questionable accounting or auditing matters, in each case relating to Dynegy. Complaints may be made through a toll-free Integrity Helpline telephone number operated by an independent third-party and a dedicated email address. Complaints received are logged by the Ethics and Compliance Office, communicated to the chairman of our Audit and Compliance Committee and investigated, under the supervision of our Audit and Compliance Committee, by our internal audit department or Ethics and Compliance Office. In accordance with Section 806 of the Sarbanes-Oxley Act of 2002, or SOX, these procedures prohibit us from taking adverse action against any person submitting a good faith complaint, report or concern.

Policy for Communications with Directors

Our Policy for Communications with Directors provides a means for stockholders and other interested parties to communicate with the Board. Under this policy stockholders and other interested parties may communicate with the Board or specific members of the Board by sending a letter to Dynegy Inc., Communications with Directors, Attn: Corporate Secretary, 1000 Louisiana Street, Suite 5800, Houston, Texas 77002.

Director Attendance at Annual Meeting

As detailed in our Corporate Governance Guidelines, Board members are requested and encouraged to attend the annual meeting. All of the members of the Board then in office attended last year s annual meeting held on May 14, 2008.

Separation of Chairman and Chief Executive Officer; Lead Director

As discussed in our Corporate Governance Guidelines, the Board has no firm policy with respect to the separation of the Chairman and Chief Executive Officer positions. Rather, the Board believes that the interests of our stockholders are best served by a policy that enables the Board to make a determination regarding its Chairman based on our needs at the time. To that end, the Board has determined that Bruce A. Williamson, our current Chairman, President and Chief Executive Officer, will remain the Chairman following the annual meeting, assuming he is re-elected by our stockholders to serve as a director for another year.

The Board also intends that Patricia A. Hammick will remain Lead Director, assuming she is re-elected by our stockholders to serve as a director for another year. As Lead Director, Ms. Hammick presides over the regular executive sessions of our non-management directors and has the other powers and duties described in our Amended and Restated Bylaws, or Bylaws, and Corporate Governance Guidelines, including the power to serve as a conduit to senior management between Board meetings and to consult with the Chairman regarding Board meeting agendas.

Stock Ownership Guidelines

We have stock ownership guidelines for directors, members of the executive management team and other officers. We believe that a significant ownership stake by directors and officers leads to a stronger alignment of interests between directors, officers and stockholders. These guidelines, which were developed with the assistance of an independent compensation consultant, support our corporate governance focus and provide further alignment of interests among our directors and executive officers and stockholders.

Directors. Each Class A non-employee director is expected to own a meaningful amount of Dynegy stock; specifically, our director stock ownership guidelines (effective November 2008) reflect an expectation that within three years of joining the Board, each Class A non-employee director shall own at least the number of shares equivalent to three times their annual cash retainer. The shares counted for purposes of directors stock ownership guidelines include shares owned outright, annual phantom stock grants awarded under our Deferred Compensation Plan for Certain Directors, as amended and restated effective January 1, 2008, or Directors Deferred Compensation Plan, and other share-based equivalents that we may use from time to time.

Officers. The shares counted for purposes of our officers stock ownership guidelines include shares owned outright, unvested restricted shares, in-the-money vested stock options, shares held pursuant to our employee benefits plans and other share-based equivalents that we may use from time to time. The guidelines are expressed as a multiple of base salary and vary by level as follows:

Chief Executive Officer	5 x annual base salary
Executive Vice President	3 x annual base salary
Senior Vice President	2.25 x annual base salary
Vice President	1 x annual base salary

There is a mandatory five-year compliance period, and executives are encouraged to accumulate one-fifth of their holding requirement during each year of the five-year period. The Corporate Governance and Nominating Committee will monitor each executive s progress toward the required ownership level on an annual basis. As part of the Corporate Governance and Nominating Committee s annual review, current market conditions will be taken into consideration, as appropriate. At the end of the five-year period, if any executive fails to attain the required level of stock ownership, action may be taken, including awarding annual incentive cash bonuses in the form of restricted shares or requiring an executive to refrain from disposing of any vested shares and shares realized from any option exercise.

Affirmative Determinations Regarding Director Independence and Other Matters

The Board previously determined that each of the following directors who served in 2008, as well as the nominees proposed to be elected at the annual meeting, were or are, as the case may be, independent as such term is defined in the NYSE Listed Company Standards:

David W. Biegler

Thomas D. Clark, Jr.

Victor E. Grijalva

Patricia A. Hammick

George L. Mazanec

Robert C. Oelkers

Howard B. Sheppard

William L. Trubeck

The Board has also determined that each member of the Audit and Compliance Committee, the Compensation and Human Resources Committee, or Human Resources Committee, and the Corporate Governance and Nominating Committee meets the independence requirements applicable to those committees prescribed by the NYSE and the SEC. The Board has further determined that more than one of the members of the Audit and Compliance Committee, including its current Chairman, William L. Trubeck, are audit committee financial experts as such term is defined in Item 407(d) of the SEC s Regulation S-K.

11

The Corporate Governance and Nominating Committee reviewed the answers to annual questionnaires completed by the directors as well as the above-described legal standards for Board and committee member independence and the criteria applied to determine audit committee financial expert status. On the basis of this review, the Corporate Governance and Nominating Committee made its recommendation to the full Board and the Board made its independence and audit committee financial expert determinations after consideration of the Corporate Governance and Nominating Committee s recommendation and a review of the materials made available to the Corporate Governance and Nominating Committee.

Director Nomination Process

Our director nominees are approved by the Board after considering the recommendation of the Corporate Governance and Nominating Committee. A copy of the Corporate Governance and Nominating Committee s charter is available in the Corporate Governance section of our web site at *www.dynegy.com*.

Under our Certificate of Incorporation, our Board consists of 11 members. Up to three seats on the Board are filled by Class B common stock directors, which directors are elected by the holders of the outstanding shares of our Class B common stock, and the remaining seats are filled by Class A common stock directors, which directors are elected by the holders of the outstanding shares of our Class A common stock. With respect to nominations for Class B common stock directors, our Certificate of Incorporation provides that the Board will nominate such individuals as may be specified by a majority vote of the Class B common stock directors then serving or, if there are no such directors, by holders of a majority of our Class B common stock. The three Class B common stock director nominees set forth in this proxy statement were specified by the unanimous vote of our current Class B common stock directors.

The Corporate Governance and Nominating Committee identifies nominees for Class A common stock directors in various ways. The committee considers the current directors that have expressed an interest and that continue to satisfy the criteria for serving on the Board as set forth in our Corporate Governance Guidelines. Other nominees that may be proposed by current directors or members of management or by stockholders are also considered. From time to time, the committee engages a professional firm to identify and evaluate potential director nominees.

All director nominees, whether proposed by a stockholder or otherwise, are evaluated in accordance with the qualifications set forth in our Corporate Governance Guidelines. These guidelines require that directors possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of our stockholders at large. They must also have an inquisitive and objective perspective, practical wisdom, mature judgment and sufficient personal resources such that any director compensation to be received from Dynegy would not be sufficiently meaningful to impact their judgment in reviewing matters coming before the Board. Finally, they must be able to work compatibly with the other members of the Board and otherwise have the experience and skills necessary to enable them to serve as productive members of the Board. Directors also must be willing to devote sufficient time to carrying out their fiduciary duties and other responsibilities effectively and should be committed to serve on the Board for an extended period of time. Under our Corporate Governance Guidelines, directors generally will not be nominated for election after their 72nd birthday unless there are special circumstances. The Corporate Governance and Nominating Committee determined that although Mr. Mazanec is age 72, he possesses financial expertise and familiarity with Dynegy that provides continuity desired by the Class A common stock directors especially in the current economic environment. Upon the advice of the Corporate Governance and Nominating Committee, the Board, after considering Mr. Mazanec s willingness to serve and the specific circumstances described above, nominated Mr. Mazanec to serve an additional year. For additional information, please read our Corporate Governance Guidelines.

All of the director nominees set forth in this proxy statement and the accompanying proxy card are current directors standing for election.

For purposes of the 2010 annual meeting, the Corporate Governance and Nominating Committee will consider any Class A common stock director nominations received by the Corporate Secretary from a stockholder of record by the close of business on February 9, 2010, but not before the close of business on January 22, 2010. See Future Stockholder Proposals below for more information. Any such nomination must be accompanied in writing by all information relating to such person that is required under the federal securities laws, including such person s written consent to be named in the proxy statement as a nominee and to serve as a director if elected. The nominating stockholder must also submit its name and address, as well as that of the beneficial owner if applicable, and the class and number of shares of our Class A common stock that are owned beneficially and of record by such stockholder and such beneficial owner. Finally, the nominating stockholder must discuss the nominee s qualifications to serve as a director as described in our Corporate Governance Guidelines.

PROPOSAL 1

ELECTION OF DIRECTORS

Class A Common Stock Directors

Eight Class A common stock directors are to be elected at the annual meeting by the holders of Class A common stock to each serve a one-year term. The Class A common stock directors are elected by a plurality of the shares of Class A common stock represented in person or by proxy and entitled to vote on the election of Class A common stock directors, subject to our majority voting policy discussed below. This means that the eight individuals nominated for election to the Board as Class A common stock directors who receive the most **FOR** votes among votes properly cast in person or by proxy will be elected. Only **FOR** or **WITHHELD** votes are counted in determining whether a plurality has been cast in favor of a Class A common stock director nominee. Under our Certificate of Incorporation, stockholders do not have cumulative voting rights. If you withhold authority to vote with respect to the election of some or all of the Class A common stock director nominees, your shares will not be voted with respect to those nominees indicated. Under our majority voting policy, in an uncontested election, any director nominee who receives a greater number of votes **WITHHELD** for his or her election than votes **FOR** such election must offer his or her resignation to the Board promptly following certification of the stockholder vote. Abstentions and broker non-votes are not counted for purposes of election of directors.

Unless you withhold authority to vote or instruct otherwise, a properly executed proxy will be voted **FOR** the election of the nominees listed below as the proxies may determine. Although the Board does not contemplate that any of the nominees will be unable to serve, if such a situation arises prior to the annual meeting, the persons appointed as proxies will vote for the election of such other persons that may be nominated by the Board.

Class B Common Stock Directors

Three Class B common stock directors are to be elected at the annual meeting by the holders of our Class B common stock to each serve a one-year term. The Class B common stock directors are elected by a plurality of the shares of Class B common stock represented in person or by proxy and entitled to vote on the election of Class B common stock directors. This means that the three individuals nominated for election to the Board as Class B common stock directors who receive the most **FOR** votes among votes properly cast in person or by proxy will be elected. Only **FOR** or **WITHHELD** votes are counted in determining whether a plurality has been cast in favor of a Class B common stock director nominee. Under our Certificate of Incorporation, stockholders do not have cumulative voting rights. If you withhold authority to vote with respect to the election of some or all of the Class B common stock director nominees, your shares will not be voted with respect to those nominees indicated. Abstentions and broker non-votes are not counted for purposes of election of directors.

Unless you withhold authority to vote or instruct otherwise, a properly executed proxy will be voted **FOR** the election of the nominees listed below as the proxies may determine.

Information on Director Nominees

All of the nominees for Class A common stock director and all of the nominees for Class B common stock director are currently directors of Dynegy. The following table sets forth information regarding the names, ages and principal occupations of the director nominees, other directorships held by them in public companies and the length of their service as a director of Dynegy.

Director Nominees	Principal Occupation and Directorships	Age as of March 24, 2009	Director Since
Class A Common Stock Directors			
Bruce A. Williamson	Chairman of the Board, President and Chief Executive Officer of Dynegy; Director of Questar Corporation	49	2002
David W. Biegler	Chairman of Estrella Energy, L.P.; Director of Trinity Industries, Inc., Southwest Airlines Co., Animal Health International, Inc., and Guaranty Financial Group	62	2003
Thomas D. Clark, Jr.	President of Strategy Associates; Director of Endeavour International	68	2003
Victor E. Grijalva	Former Vice Chairman of Schlumberger Ltd., Former Chairman of Hanover Compressor Company and Former Chairman of Transocean, Inc.; Director of Transocean, Inc.	70	2006
Patricia A. Hammick	Former Senior Vice President, Strategy and Communications of Columbia Energy Group; Director of Consol Energy, Inc. and SNC-Lavalin Group Inc.	62	2003
George L. Mazanec	Retired Advisor to the Chief Operating Officer of Duke Energy Corporation and Former Vice Chairman of PanEnergy Corporation; Director of National Fuel Gas Company and AEGIS Insurance Services, Inc.	72	2004
Howard B. Sheppard	Former Assistant Treasurer, Chevron Corp.	63	2008
William L. Trubeck	Former Chief Financial Officer and Executive Vice President of H&R Block, Inc., and Former Executive Vice President and Chief Financial Officer of Waste Management Inc.; Director of YRC Worldwide	62	2003

Director Nominees	Principal Occupation and Directorships	Age as of March 24, 2009	Director Since
Class B Common Stock Directors			
Mikhail Segal	Chairman and Chief Executive Officer of the LS Power Group	58	2007
Frank E. Hardenbergh	Vice Chairman of the LS Power Group	65	2007
James T. Bartlett	President of LS Power Equity Advisors, L.L.C.	41	2007

Set forth below is additional biographical information with respect to our director nominees.

Bruce A. Williamson has served as Chief Executive Officer and as a director of Dynegy since October 2002, as Chairman of the Board of Dynegy since May 2004 and as President since December 2007. Prior to joining Dynegy, Mr. Williamson served in various capacities with Duke Energy and its affiliates. From August 2001 to October 2002, he served as President and Chief Executive Officer of Duke Energy Global Markets. In this capacity, he was responsible for all Duke Energy business units with global commodities and international business positions. From 1997 to August 2001, he served as Senior Vice President of Business Development and Risk Management and President and Chief Executive Officer at Duke Energy International. Mr. Williamson joined PanEnergy Corporation in June 1995, which then merged with Duke Power in June 1997. Prior to the Duke-PanEnergy merger, he served as PanEnergy s Vice President of Finance. Before joining PanEnergy, he held positions of increasing responsibility at Shell Oil Company, advancing over a 14-year period to Assistant Treasurer. He currently serves as a Director of Questar Corporation.

David W. Biegler was elected to the Board in April 2003. He has served as Chairman of Estrella Energy, L.P., which was formed to engage in the acquisition, construction and management of natural gas industry assets, since August 2003. Mr. Biegler retired at the end of 2001 as Vice Chairman of TXU Corporation, when it engaged in power generation and energy marketing and provided electric and natural gas utility services and other energy-related services. He also served as President and Chief Operating Officer of TXU Corporation from 1997 to December 2001. From 1993 to 1997, he served as Chairman, President and Chief Executive Officer of ENSERCH Corp. He currently serves as a director of Trinity Industries, Inc., Southwest Airlines Co., Austin Industries, Inc., Animal Health International, Inc., Guaranty Financial Group and Children s Medical Center.

Thomas D. Clark, Jr. was elected to the Board in July 2003. Since 2006, Mr. Clark has been the President of Strategy Associates, a consulting firm specializing in strategy development, strategic planning assistance, corporate governance policy and corporate analysis. Mr. Clark previously served as Dean of the E.J. Ourso College of Business Administration and Ourso Distinguished Professor of Business from 1995 to 2003, and served as the Edward G. Schlieder Distinguished Chair of Information Science and Director of the DECIDE Board Room at Louisiana State University from 2003 to 2006. Prior to these positions, he was Chairman of Information and Management Sciences at Florida State University and Director of the Information Systems Research Center from 1984 to 1995. He was the Gage Crocker Outstanding Professor at the Air Force Institute of Technology where he served in the School of Engineering from 1977 to 1984. Mr. Clark is also a director of Endeavour International Corporation and serves on the boards of several community organizations and two privately-held companies.

Victor E. Grijalva was elected to the Board in May 2006. He served as a director of Hanover Compressor Company from 2002 to 2007 and formerly served as Chairman of Hanover s Board from 2002 to 2005. In August 2002, Mr. Grijalva served as interim President and Chief Executive Officer of Hanover. Mr. Grijalva is the retired Vice Chairman of Schlumberger Limited, a supplier of technology, project management and information solutions to the oil and gas industry. Before serving as Vice Chairman, he served as Executive Vice President of Schlumberger s Oilfield Services division from 1994 to January 1999 and as Executive Vice President of Schlumberger s Wireline, Testing and Anadrill division from 1992 to 1994. He retired from Schlumberger in December 2001. Mr. Grijalva is also a director of Transocean, Inc., where he served as Chairman of the Board from 1999 to 2002.

Patricia A. Hammick was elected to the Board in April 2003 and was appointed Lead Director in May 2004. She was an adjunct professor at George Washington University from 2002 to 2003. Ms. Hammick served as Senior Vice President, Strategy and Communications and a member of the management committee of Columbia Energy Group from 1998 to 2000 and was Vice President, Corporate Strategic Planning, for Columbia Energy Group from 1997 to 1998. From 1983 to 1996, she served as the Chief Operations Officer for the National Gas Supply Association in Washington, D.C., and held a management position with Gulf Oil Exploration and Production Company from 1979 to 1983. Prior to 1979, Ms. Hammick worked for the American Petroleum Institute, the Center for Naval Analysis and the Naval Weapons Center. She currently serves as a director of Consol Energy, Inc. and SNC-Lavalin Group, Inc.

George L. Mazanec was elected to the Board in May 2004. Mr. Mazanec was Advisor to the Chief Operating Officer of Duke Energy Corporation from August 1997 to 2000, and Vice Chairman of PanEnergy

Corporation from 1989 until 1996. Mr. Mazanec is the former Chairman of the Management Committee of Maritime & Northeast Pipeline, L.L.C. and currently serves as a director of National Fuel Gas Company and AEGIS Insurance Services, Inc. He has also served as a Member of the Board of Trustees of DePauw University since 1996.

Howard B. Sheppard was appointed to the Board in January 2008. He previously served as an Assistant Treasurer of Chevron Corporation from February 1988 to June 2008. Mr. Sheppard was employed by Chevron and its affiliates since the merger of Gulf Oil Corporation with Chevron in 1985. Prior to the merger, he held positions of increasing responsibility at Gulf Oil Corporation, advancing over a 16-year period to Assistant Treasurer. He previously served on the Board from 2004 to 2007 as a Class B director designated by Chevron. With the April 2, 2007 closing of the LS Power Merger, Chevron, which was then a Dynegy stockholder, no longer had the right to designate any of Dynegy s directors.

William L. Trubeck was elected to the Board in April 2003. He served as Executive Vice President and Chief Financial Officer of H&R Block, Inc. from 2004 to 2007. He previously served Waste Management Inc. as Executive Vice President of its Western Group from 2003 until 2004, Executive Vice President, Operations Support, and Chief Administrative Officer from 2002 until 2003 and Executive Vice President and Chief Financial Officer from 2001 until 2002. He was Senior Vice President Finance and Chief Financial Officer of International Multifoods, Inc. from 1997 until 2000, and President, Latin American Operations of International Multifoods, Inc. from 1998 until 2000. He has served as a director of YRC Worldwide since 1994 and as Chairman of its audit committee since 2002.

Mikhail Segal was appointed to the Board in April 2007 following the completion of the LS Power Merger. Mr. Segal has served as Chairman and Chief Executive Officer of the LS Power Group since 1990. Mr. Segal has over 32 years of experience in the power industry. Prior to co-founding the LS Power Group, Mr. Segal served as co-head of Commercial Union Energy Corporation, where he was responsible for managing the Commercial Union Energy Limited Partnership, a partnership focused on investing in power generation projects. Mr. Segal was previously President of The Energy Systems Company, a private developer of cogeneration projects, and held various positions, including General Manager of Power Generation and Systems Planning, with LEMCO Engineers, Inc., or LEMCO, an electrical engineering and consulting firm. Prior to LEMCO, Mr. Segal worked for the Department of Energy in the former Soviet Union.

Frank E. Hardenbergh was appointed to the Board in April 2007 following the completion of the LS Power Merger. Mr. Hardenbergh, Vice Chairman of the LS Power Group, joined the LS Power Group in 1993 and has over 20 years of experience in the power industry. He has served as Vice Chairman of the LS Power Group since May 2005. From January 2001 to May 2005, he served as Executive Vice President and Chief Operating Officer of the LS Power Group. Prior to joining the LS Power Group, Mr. Hardenbergh served as Senior Vice President, General Counsel and member of the Management Committee of the Commercial Union Capital Group, a private boutique merchant bank that included Commercial Union Energy Corporation and the Commercial Union Energy Limited Partnership. Mr. Hardenbergh was previously Associate General Counsel of the Commercial Union Insurance Companies, the parent company to Commercial Union Capital Group. Prior to joining the Commercial Union Insurance Companies, Mr. Hardenbergh was an Associate with Peabody & Arnold LLP.

James T. Bartlett was appointed to the Board in April 2007 following the completion of the LS Power Merger. He has served as President of LS Power Equity Advisors, L.L.C., since 2005 and has 17 years of experience in the power industry. Prior to joining the LS Power Group in March 2005, Mr. Bartlett held various positions in the Energy Investment Banking Group at Credit Suisse, where he focused on mergers and acquisitions and financing transactions in the power generation sector. Mr. Bartlett joined Credit Suisse in 1992 and was named Managing Director in 2001. Previously, Mr. Bartlett was an Associate at Kendall Capital Partners and an Analyst at Drexel Burnham Lambert.

The Board unanimously recommends that stockholders vote **FOR** the election of these director nominees to the Board.

Directors Meetings and Committees of the Board

During 2008, our Board held eight meetings. Each director attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees on which he or she served during the period for which he or she has been a director. Under our Corporate Governance Guidelines, directors who are not members of a particular committee are entitled to attend meetings of each such committee.

The following table reflects the members of each of the committees of the Board and the number of meetings held from January 1, 2008 through December 31, 2008.

	Audit & Compliance	Compensation & Human Resources	Corporate Governance & Nominating	Performance Review	Independent Director
Bruce A. Williamson					
James T. Bartlett					
David W. Biegler		CHAIR		X	X
Thomas D. Clark, Jr.		X	CHAIR		X
Victor E. Grijalva	X		X	X	X
Patricia A. Hammick(1)					CHAIR
Frank E. Hardenbergh					
George L. Mazanec	X	X	X		X
Mikhail Segal				CHAIR	
Howard Sheppard	X		X	X	X
William L. Trubeck(2)	CHAIR	X			X
Number of Meetings	9	6	4	3	8

(1) As Lead Director, Ms. Hammick is an ex officio member of the Audit and Compliance, Compensation and Human Resources, Corporate Governance and Nominating and Performance Review committees. She has a standing invitation to attend all such committee meetings and thus attends all committee meetings.

(2) Audit Committee Financial Expert.

The Board has the following committees:

Audit and Compliance Committee. The Audit and Compliance Committee, which currently is comprised of Messrs. Trubeck (Chairman), Grijalva, Mazanec and Sheppard, met a total of nine times during 2008. Each member of the Audit and Compliance Committee is independent as defined in the NYSE Listed Company Standards. The Audit and Compliance Committee assists the Board in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements and our Code of Business Conduct and Ethics, our independent auditors qualifications and independence, the performance of our internal audit function and the independent auditors and the performance of our risk assessment and risk management policies. Please read Audit and Compliance Committee Report for a discussion of the Audit and Compliance Committee s review of our 2008 audited financial statements.

Compensation and Human Resources Committee. The Human Resources Committee, which currently is comprised of Messrs. Biegler (Chairman), Clark, Mazanec and Trubeck, met a total of six times during 2008. Each member of the Human Resources Committee is independent as defined in the NYSE Listed Company Standards. The purpose of the Human Resources Committee is to assist our Board in fulfilling the Board s oversight responsibilities on matters relating to executive compensation, oversee our overall compensation strategy and our equity-based compensation plans, prepare the annual Compensation and Human Resources Committee report required by the rules of the SEC and review and discuss with our management the Compensation Discussion and Analysis to be included in our annual proxy statement to stockholders. The Human Resources Committee does not assist the Board with respect to director compensation, which is the responsibility of the Corporate Governance and Nominating Committee. For more information regarding the role and scope of authority of the Human Resources Committee in determining executive compensation, please read Compensation Discussion and Analysis below.

The Human Resources Committee may delegate specific responsibilities to one or more subcommittees to the extent permitted by law, NYSE listing standards and our governing documents. The Human Resources Committee is responsible for pre-approving all services performed by any independent compensation consultant in order to assure that the provision of such services does not impair the consultant s independence. As a result, the Human Resources Committee has established a policy requiring its pre-approval of the annual executive compensation services, engagement terms and fees. The policy requires that requests to provide services requiring pre-approval by the Human Resources Committee or Chair will be submitted to the Committee or Chair by both the independent compensation consultant and our Vice President of Human Resources and must include a joint statement as to whether, in their view, the request or application is consistent with maintaining the consultant s independence. Further, under the policy, the Human Resources Committee delegates to its Chair the authority to pre-approve any services (other than annual engagement services) if necessary or appropriate between scheduled meetings; provided, however, that the Chair will cause any such pre-approvals to be reported to the Human Resources Committee at the next regularly scheduled meeting. For a discussion of the role of the independent compensation consultant retained by the Human Resources Committee in recommending executive compensation and the participation of our Chief Executive Officer in the review of the compensation of other executives that report to the Chief Executive Officer, please read Compensation Discussion and Analysis below.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee, which currently is comprised of Messrs. Clark (Chairman), Grijalva, Mazanec and Sheppard, met a total of four times during 2008. Each member of the Corporate Governance and Nominating Committee is independent as defined in the NYSE Listed Company Standards. The Corporate Governance and Nominating Committee is responsible for identifying director nominees, assisting the Board with respect to director compensation, developing and reviewing our Corporate Governance Guidelines and overseeing the evaluation of the Board and management.

Performance Review Committee. The Performance Review Committee, which currently is comprised of Messrs. Segal (Chairman), Biegler, Grijalva and Sheppard met a total of three times during 2008. The Performance Review Committee is responsible for reviewing our overall commercial and operating performance relative to our power industry competitors, the external market structure and our internal capabilities, reviewing our environmental, health and safety performance, developing and recommending to our management and the Board opportunities to maximize value for our stockholders, and assessing, with management, our execution of value-enhancing opportunities.

Independent Director Committee. The Board maintains an Independent Director Committee, which is currently comprised of Ms. Hammick (Chair) and Messrs. Biegler, Clark, Grijalva, Mazanec, Sheppard and Trubeck. The committee met a total of eight times during 2008. The Independent Director Committee is authorized to review and approve related party transactions involving the LS Entities or its affiliates, including matters arising from our former development joint venture, under our related party transactions policy, and to consider matters relating to our relationship with the LS Entities as our largest stockholder. The Independent Director Committee is authorized to retain its own legal, financial and other advisors, in furtherance of the authority granted to it by the Board, without obtaining approval of such retention by the Board.

DIRECTOR COMPENSATION

Director Compensation for 2008

The following table sets forth certain information regarding the compensation earned by or awarded to each non-employee Class A common stock director who served on our Board in 2008. Directors who are also employees of Dynegy and the Class B common stock directors are not compensated for their services as directors.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(3)	All Other Compensation(4)	Total
David W. Biegler	$	$ 35,806	$	$	$	$ 85,250	$ 121,056
Thomas D. Clark, Jr.	$	$ 35,806	$	$	$	$ 88,500	$ 124,306
Victor E. Grijalva	$ 86,000	$ 35,806	$	$	$	$	$ 121,806
Patricia A. Hammick(5)	$ 86,400	$ 35,806	$	$	$	$ 9,600	$ 131,806
George L. Mazanec	$ 91,500	$ 35,806	$	$	$	$	$ 127,306
Robert C. Oelkers(6)	$	$	$	$	$	$	$
Howard B. Sheppard	$ 78,769	$ 34,441	$	$	$	$	$ 113,210
William L. Trubeck	$ 50,250	$ 35,806	$	$	$	$ 50,250	$ 136,306

(1) Directors receive annual phantom stock grants pursuant to the Directors Deferred Compensation Plan. Upon termination of service as a director, the shares become payable, at the director s discretion, in cash or Class A common stock. The values shown under Stock Awards reflect the mark-to-market dollar value of our Class A common stock as of December 31, 2008, calculated in accordance with Statement of Financial Accounting Standards, or FAS, No. 123(R). As of December 31, 2008, each director had the following aggregate number of shares of phantom stock outstanding: Messrs. Biegler and Trubeck and Ms. Hammick 69,092; Mr. Clark 66,115; Mr. Grijalva 31,872; and Mr. Mazanec 56,566. The aggregate grant date fair value of all stock awards awarded to each director in 2008 is as follows: Ms. Hammick and Messrs. Biegler, Clark, Grijalva, Mazanec, and Trubeck $70,000; Mr. Sheppard $64,615; and Mr. Oelkers did not receive any stock awards in 2008.

(2) No annual stock option awards or non-equity incentive plan compensation payments were made as compensation for director services in 2008 or are contemplated under our current compensation structure. As of January 16, 2008, Mr. Oelkers had options to purchase 6,000 shares of Class A common stock.

(3) The Change in Pension Value and Nonqualified Deferred Compensation Earnings column represents dividends/capital gains/losses or unrealized gains/losses on deferrals of fees and stock awards under the Directors Deferred Compensation Plan, which includes investments in Class A common stock and various investment funds. As of December 31, 2008, each of the directors, other than Mr. Oelkers, had cumulative losses on all prior deferrals of fees in the following amounts: Mr. Biegler $(365,247); Mr. Clark $(499,000); Mr. Grijalva $(105,995); Ms. Hammick $(352,026); Mr. Mazanec $(232,922); Mr. Sheppard $(30,174); and Mr. Trubeck $(355,977).

(4) The amounts shown as All Other Compensation for Messrs. Biegler, Clark and Trubeck and Ms. Hammick represent a voluntary cash deferral of fees earned at each director s election into Class A common stock or various investment funds that are payable upon termination in cash.

(5) Lead Director.

(6) Mr. Oelkers passed away in January 2008. Mr. Sheppard was appointed on January 29, 2008 to fill the remaining term of Mr. Oelkers. Mr. Oelkers did not receive any director compensation for the period in which he served in 2008. Per Mr. Oelkers election, his estate received a lump sum cash payment in the amount of $399,681 for his deferrals while serving as a director.

Under the Directors Deferred Compensation Plan, non-employee Class A common stock directors receive annual phantom stock grants with an aggregate value of $70,000, awarded quarterly in arrears based on the closing price of our Class A common stock on the last trading day of the quarter. Since the amounts of phantom stock granted are unfunded, directors do not actually receive shares of Dynegy s Class A common stock. We established a trust to provide an informal funding vehicle for the obligations under the plan to our directors. The assets of the trust, commonly referred to as a rabbi trust, are subject to the claims of our creditors in the event of insolvency, so the plan is considered unfunded for tax purposes. We contribute cash in amounts equal to the compensation that is deferred by us for the directors, which is then invested by the administrator of the trust in a fund of Dynegy s Class A common stock. Upon termination of service as a director, the shares of phantom stock become payable, at the director s election, in a lump sum payment or in monthly, quarterly or annual installment payments following such termination. The shares of phantom stock are payable in cash or in shares of Class A common stock, based upon a one-time election of the director.

In addition to the phantom stock grants, the non-employee Class A common stock directors receive the following compensation, which is payable in cash and may be deferred under the Directors Deferred Compensation Plan, in whole or in part, and invested in one or more investment options, including phantom stock, at a particular director s election:

An annual retainer of $50,000 per year;

A fee of $2,000 for each Board meeting attended;

A fee of $1,000 for each committee meeting attended;

An additional annual retainer of $30,000 for the Lead Director;

Fees for each committee chairperson per year: Audit and Compliance Committee $20,000 per year; Human Resources Committee $10,000 per year; Corporate Governance and Nominating Committee $10,000;

An annual retainer of $5,000 and $2,500 per year for members of the Audit and Compliance Committee and the Human Resources Committee, respectively; and

Reimbursement for reasonable out-of-pocket expenses incurred in connection with travel to and from, and attendance at, meetings of the Board or its committees and related activities, including director education courses and materials.

Certain Transactions and Other Matters

For a description of certain transactions with management and others, certain business relationships and compliance with Section 16(a) of the Exchange Act, see Executive Compensation Potential Payments Upon Termination or Change in Control, Transactions with Related Persons, Promoters and Certain Control Persons and Section 16(a) Beneficial Ownership Reporting Compliance.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our capital stock as of March 24, 2009, except as otherwise noted, by (1) each person who, based on filings with the SEC, owns beneficially 5% or more of our Class A common stock or Class B common stock, (2) each director and director nominee, (3) each executive officer, other than Mr. Hochberg, named in the Summary Compensation Table set forth below and (4) all current directors and executive officers as a group. Share amounts and percentages shown for each individual or group in the table are adjusted to give effect to the exercise of all options exercisable by such individual or group within 60 days of March 24, 2009, regardless of whether such options are currently in the money.

	Number of Shares(1)				
	Class A Common Stock	Class B Common Stock	Percent of Class A Common Stock(2)	Percent of Class B Common Stock(2)	Percent of Total Outstanding Common Stock(2)
LS Power Associates, L.P.(3)		48,842,270		14.4%	5.8%
LS Power Equity Partners, L.P.(3)		175,117,329		51.5%	20.8%
LS Power Partners, L.P.(3)		5,686,822		1.7%	*
LS Power Equity Partners PIE I, L.P.(3)		106,186,603		31.2%	12.6%
LSP Gen Investors, L.P.(3)		4,166,976		1.2%	*
T. Rowe Price Associates, Inc.(4)	34,988,678		6.9%		4.1%
Capital World Investors(5)	34,920,000		6.9%		4.1%
FMR LLC(6)	11,223,876		2.2%		1.3%
Bruce A. Williamson(7)(14)	3,609,921		*		*
Holli C. Nichols(8)(14)	444,791		*		*
J. Kevin Blodgett(9)(14)	186,249		*		*
Lynn Lednicky(10)(14)	493,797		*		*
Charles C. Cook(11)(14)	182,146		*		*
David W. Biegler(12)(14)	79,092		*		*
Thomas D. Clark, Jr.(12)(14)	79,615		*		*
Victor E. Grijalva(12)(14)	46,872		*		*
Patricia A. Hammick(12)(14)	94,092		*		*
George L. Mazanec(12)(14)	72,566		*		*
Howard B. Sheppard(12)(14)	32,221		*		*
William L. Trubeck(12)(14)	80,092		*		*
Mikhail Segal(13)(14)		340,000,000		100%	40.3%
Frank Hardenbergh(13)(14)		340,000,000		100%	40.3%
James Bartlett(13)(14)		340,000,000		100%	40.3%
Current Executive Officers and Directors as a Group (16 persons)(7) (13)	5,668,516	340,000,000	1.1%	100%	40.8%

* Less than 1%.

(1) Unless otherwise noted, each person or entity listed has sole voting and investment power with respect to the shares reported.

(2) Based upon 503,919,244 shares of Class A common stock and 340,000,000 shares of Class B common stock issued and outstanding at March 24, 2009.

(3) All outstanding shares of our Class B common stock are held of record by the LS Entities. The address for all LS Entities is c/o LS Power, 1700 Broadway, New York, NY 10019.

(4) According to Schedule 13G filed February 12, 2009 by T. Rowe Price Associates, Inc. (T. Rowe). According to such Schedule 13G, T. Rowe has sole voting power with respect to 8,384,236 shares and sole dispositive power with respect to 34,988,678 shares. The address for T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.

(5) According to Schedule 13G filed February 13, 2009 by Capital World Investors (Capital Investors). According to such Schedule 13G, Capital Investors has sole voting power with respect to 13,900,000 shares and sole dispositive power with respect to 34,920,000 shares. The address for Capital World Investors is 333 South Hope Street, Los Angeles, CA 90071.

(6) According to Schedule 13G filed February 17, 2009 by FMR LLC (FMR). According to such Schedule 13G, FMR has sole voting power with respect to 895,151 shares and sole dispositive power with respect to 11,223,876 shares. The address for FMR is 82 Devonshire Street, Boston MA 02109.

(7) Amount shown includes 2,104,492 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Williamson and 165,461 and 106,952 shares of restricted Class A common stock which vest on April 2, 2010 and March 6, 2011, respectively. Amount shown also includes approximately 16,713 shares of Class A common stock held by the Trustee of the Dynegy Inc. 401(k) Savings Plan, or the 401(k) Plan, for the account of Mr. Williamson, based on the market value of units held by Mr. Williamson in the 401(k) Plan s Dynegy stock fund divided by the closing price of our Class A common stock as of March 24, 2009. The amount shown does not include certain stock units held by Mr. Williamson through our Phantom Stock Plan that are payable three years from date of grant exclusively in cash and not in shares of Class A common stock.

(8) Amount shown includes 249,646 shares of Class A common stock issuable upon the exercise of employee stock options held by Ms. Nichols and 36,195 and 26,738 shares of restricted Class A common stock which vest on April 2, 2010 and March 6, 2011, respectively. Amount shown also includes approximately 19,339 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Ms. Nichols, based on the market value of units held by Ms. Nichols in the 401(k) Plan s Dynegy stock fund divided by the closing price of our Class A common stock as of March 24, 2009. The amount shown does not include certain stock units held by Ms. Nichols through our Phantom Stock Plan that are payable three years from date of grant exclusively in cash and not in shares of Class A common stock.

(9) Amount shown includes 53,718 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Blodgett and 31,024 and 19,887 shares of restricted Class A common stock which vest on April 2, 2010 and March 6, 2011, respectively. Amount shown also includes approximately 13,264 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Mr. Blodgett, based on the market value of units held by Mr. Blodgett in the 401(k) Plan s Dynegy stock fund divided by the closing price of our Class A common stock as of March 24, 2009. The amount shown does not include certain stock units held by Mr. Blodgett through our Phantom Stock Plan that are payable three years from date of grant exclusively in cash and not in shares of Class A common stock.

(10) Amount shown includes 53,718 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Lednicky and 31,024 and 19,887 shares of restricted Class A common stock which vest on April 2, 2010 and March 6, 2011, respectively. Amount shown also includes approximately 14,008 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Mr. Lednicky, based on the market value of units held by Mr. Lednicky in the 401(k) Plan s Dynegy stock fund divided by the closing price of our Class A common stock as of March 24, 2009. The amount shown does not include certain stock units held by Mr. Lednicky through our Phantom Stock Plan that are payable three years from date of grant exclusively in cash and not in shares of Class A common stock.

(11) Amount shown includes 54,311 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Cook and 41,366 and 23,396 shares of restricted Class A common stock which vest on April 2, 2010 and March 6, 2011, respectively. Amount shown also includes approximately 5,297 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Mr. Cook, based on the market value of units held by Mr. Cook in the 401(k) Plan s Dynegy stock fund divided by the closing price of our Class A common stock as of March 24, 2009. The amount shown does not include certain stock units held by Mr. Cook through our Phantom Stock Plan that are payable three years from date of grant exclusively in cash and not in shares of Class A common stock.

(12) Amounts shown include the following number of shares of our Class A common stock payable upon termination of service as a director, at the election of the director, with respect to certain phantom stock units awarded under the Directors Deferred Compensation Plan: 56,566 shares payable to Mr. Mazanec; 66,115 shares payable to Mr. Clark; 69,092 shares payable to Messrs. Biegler and Trubeck and Ms. Hammick; 17,221 shares payable to Mr. Sheppard; and 31,872 shares payable to Mr. Grijalva. The amounts shown do not include certain stock units held by Mr. Clark and Ms. Hammick through our Directors Deferred Compensation Plan which are payable, upon retirement, exclusively in cash and not in shares of Class A common stock. For Mr. Mazanec, amount shown includes 3,000 shares held in two IRAs for his benefit, 1,000 shares held by the Mazanec Foundation, of which Mr. Mazanec is President and a director, and 1,000 shares held in two family trusts for the benefit of Mr. Mazanec s grandchildren. For Mr. Sheppard, amount shown includes 15,000 shares held in a family trust.

(13) Messrs. Segal, Hardenbergh and Bartlett may each be deemed to share beneficial ownership of the shares of Class B common stock beneficially owned by the LS Entities. Messrs. Segal, Hardenbergh and Bartlett each disclaim beneficial ownership of all such shares.

(14) The address for all Dynegy executive officers and directors is Dynegy Inc., 1000 Louisiana Street, Suite 5800, Houston, TX 77002.

EXECUTIVE OFFICERS

The following table sets forth the name and positions of our executive officers as of March 24, 2009, together with their ages and period of service with us.

Executive Officer	Position	Age as of March 24, 2009	Served with Dynegy Since
Bruce A. Williamson	Chairman of the Board, President and Chief Executive Officer	49	2002
Holli C. Nichols	Executive Vice President and Chief Financial Officer	38	2000
J. Kevin Blodgett	General Counsel and Executive Vice President Administration	37	2000
Lynn A. Lednicky	Executive Vice President Asset Management, Government and Regulatory Affairs	48	1991
Charles C. Cook	Executive Vice President Commercial and Market Analytics	44	1991
Richard W Eimer	Executive Vice President Operations	60	1971

The executive officers named above will serve in such capacities until the next annual meeting of our Board, or until their respective successors have been duly elected and qualified, or until their earlier death, resignation, disqualification or removal from office.

Set forth below is additional biographical information with respect to our executive officers.

Bruce A. Williamson has served as Chief Executive Officer and as a director of Dynegy since October 2002, as Chairman of the Board of Dynegy since May 2004 and as President since December 2007. Prior to joining Dynegy, Mr. Williamson served in various capacities with Duke Energy and its affiliates. From August 2001 to October 2002, he served as President and Chief Executive Officer of Duke Energy Global Markets. In this capacity, he was responsible for all Duke Energy business units with global commodities and international business positions. From 1997 to August 2001, he served as Senior Vice President of Business Development and Risk Management and President and Chief Executive Officer at Duke Energy International. Mr. Williamson joined PanEnergy Corporation in June 1995, which then merged with Duke Power in June 1997. Prior to the Duke-PanEnergy merger, he served as PanEnergy s Vice President of Finance. Before joining PanEnergy, he held positions of increasing responsibility at Shell Oil Company, advancing over a 14-year period to Assistant Treasurer. He currently serves as a director of Questar Corporation.

Holli C. Nichols has served as Executive Vice President and Chief Financial Officer of Dynegy since November 2005. Ms. Nichols is responsible for oversight activities involving strategic planning and corporate business development, financial affairs, including finance and accounting, tax, treasury, risk management, internal audit and investor and credit agency relationships. Ms. Nichols previously served as Senior Vice President and Treasurer from May 2004 to November 2005, as Senior Vice President and Controller from June 2003 to May 2004 and as Vice President, Assistant Corporate Controller and Senior Consultant from May 2000 to June 2003. Ms. Nichols joined Dynegy from PricewaterhouseCoopers LLP in May 2000.

J. Kevin Blodgett has served as General Counsel and Executive Vice President Administration of Dynegy since November 2005. Mr. Blodgett is responsible for our legal and administrative affairs, including legal and regulatory services supporting Dynegy s operational, commercial and corporate areas, as well as ethics and compliance, human resources, information technology and business services. Mr. Blodgett previously served as Senior Vice President, Human Resources from August 2004 to November 2005, as Group General

Counsel Corporate Finance & Securities and Corporate Secretary from May 2003 to August 2004 and as Assistant General Counsel, Senior Corporate Counsel and Corporate Counsel from October 2000 to May 2003. Mr. Blodgett joined Dynegy from Baker Botts LLP in October 2000.

Lynn A. Lednicky has served as Executive Vice President Asset Management, Government and Regulatory Affairs since March 2009. Mr. Lednicky is responsible for regional asset management activities including state and federal government, legislative, and regulatory matters. Mr. Lednicky had served as Executive Vice President, Asset Management, Development, and Regulatory Affairs since January 2008. He previously served as Executive Vice President, Commercial and Development from January 2007 to January 2008, Executive Vice President of Strategic Planning and Corporate Business Development from November 2005 to January 2007, Senior Vice President of Strategic Planning and Corporate Business Development from July 2003 to November 2005 and Senior Vice President of Power Origination from December 2000 to July 2003. Mr. Lednicky joined Dynegy s predecessor, Destec Energy, Inc., in July 1991.

Charles C. Cook has served as Executive Vice President Commercial and Market Analytics since December 2008. Mr. Cook has direct responsibility for overseeing all commercial functions related to Dynegy s power generation fleet. Mr. Cook most recently served as Senior Vice President Strategic Planning, Corporate Business Development and Treasurer from January to December 2008 and served as Senior Vice President and Treasurer from 2005 until 2007. Mr. Cook joined Dynegy s predecessor, Destec Energy, Inc., in 1991, and was promoted to Vice President in 2002.

Richard W. Eimer has served as Executive Vice President Operations since January 2008. Mr. Eimer is responsible for the operational management of Dynegy s fleet of power generation assets. Mr. Eimer, who joined Dynegy s predecessor Illinois Power in 1971, was promoted to Senior Vice President in 2000, Senior Vice President of Coal Plant Operations in 2003, and served most recently as Senior Vice President of Operations from 2005 to 2008.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion should be read together with the compensation tables and disclosures for our Named Executive Officers included under Executive Compensation. The following discussion contains statements regarding future company performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be considered as statements of our expectations or estimates of results or other guidance; to that end, these targets and goals will not be subject to updating.

Executive Summary

Dynegy s executive compensation program is primarily designed to attract, motivate and retain a highly qualified executive management team capable of managing and growing our power generation business. This program is administered by the Human Resources Committee, which utilized Towers Perrin, an independent compensation consultant, to assist it in discharging its responsibilities for the 2008 performance year. In the following discussion and analysis, we describe in detail our executive compensation philosophy and objectives and the 2008 compensation for each individual who served as (1) our Chief Executive Officer during 2008, (2) our Chief Financial Officer during 2008, (3) our three other most highly compensated executive officers who were serving as executives as of the end of 2008, and (4) one additional executive who resigned as an officer before year-end. We refer to these individuals collectively as our Named Executive Officers.

The following discussion and analysis is designed to provide insight into our compensation philosophy, practices, plans and decisions. In summary:

- We believe that rewards should be competitive, should not be viewed as entitlements and should be based upon the performance of the company and the individual executive.

- The Human Resources Committee exercises its judgment and discretion when reviewing corporate and individual performance relative to pre-determined financial and operational measures.

- Competitive benchmark data, comprised of aggregate industry peer proxy statement data and general industry survey data, are reviewed annually by the Human Resources Committee when making base salary, short-term incentive and long-term incentive decisions regarding our Named Executive Officers.

- Performance-based awards continue to be a critical tool in providing appropriate incentives for our Named Executive Officers to create long-term value for our stockholders.

- In determining compensation levels for each Named Executive Officer, the Human Resources Committee considers job responsibilities, historical pay, experience and performance (both corporate and individual performance) in an attempt to reward and motivate both short-term and long-term value creation for our stockholders.

Executive Compensation Philosophy

Our executive compensation program reflects a fundamental belief that rewards should be competitive, both in elements and amount, with the broad labor market in which we compete for executive talent and commensurate with corporate and individual performance. Annually, the Human Resources Committee reviews and updates, where appropriate, Dynegy s compensation philosophy for consistency with our near-term and long-term business strategy. Dynegy s Compensation Guiding Principles, which are listed below, serve to formalize and document our compensation philosophy. In addition, these principles provide a foundation for certain compensation decisions, as well as a common language for communicating those decisions to executives, employees and stockholders. These Compensation Guiding Principles are as follows:

- Our compensation strategy is directed by Dynegy s core values and business strategy.

- Our compensation programs should provide reasonable upside potential for exceptional performance, while maintaining competitiveness during, but appropriately reflecting, market or economic downturns.

- Our compensation delivery practices should allow for differential pay levels based on both corporate and individual performance.

- Our key compensation elements base pay, short-term incentives and long-term incentives should complement each other.

- Our variable pay programs should be designed as forward-looking incentives with clear line of sight.

- Our long-term incentives and stock ownership guidelines should encourage share price improvement and a strong link to stockholder interests.

Our compensation programs should be designed and administered to encourage sustained long-term growth in Dynegy s cyclical industry.

Our overall compensation strategy should recognize that attraction and retention of key talent is critical to the attainment of Dynegy s stated business goals and objectives and to the creation of value for our stockholders.

Executive Compensation Program Objectives

Consistent with the stated purpose and the Compensation Guiding Principles listed above, the structure of our compensation program reflects the following key objectives: (1) Pay for Performance; (2) Market Competitiveness; and (3) Long-Term Stockholder Value.

Pay for Performance. It is our belief that the variable components of compensation should not be viewed as entitlements, but rather should be awarded for delivering results relative to pre-determined business goals and objectives and for executing on our business strategy to create long-term value for our stockholders. To this end, each year the Board approves a comprehensive set of goals and objectives for the coming year. Our progress, and the Named Executive Officers contributions relative to these goals and objectives, is monitored and discussed during the year by the Board and the Human Resources Committee. At year-end, compensation awards are made based on the Human Resources Committee s overall assessment of performance, including the degree to which these goals and objectives have been achieved and the impact of external factors.

Financial Objectives. The annual goals and objectives fall into two categories. The first category comprises a set of core financial metrics used by executive management and the Board in assessing our annual performance and communicating that performance to the investment community. For 2008, there were four financial metrics included in this first category: EBITDA[(1)]; Operating Cash Flow, or OCF; Free Cash Flow, or FCF[(2)]; and General & Administrative expense, or G&A. In early 2008, the Board approved targets for each of these four measures for 2008. The Human Resources Committee also reviewed the underlying plan assumptions for EBITDA against actual commodity gas prices and with and without mark-to-market accounting impacts. As a result of that review, EBITDAM[(3)] replaced EBITDA as the primary financial metric. At subsequent regular meetings in 2008, executive management updated the Board and the Human Resources Committee on Dynegy s EBITDAM, OCF, FCF and G&A performance compared to the original targets. Please read Analysis Named Executive Officer Compensation below for a discussion of 2008 compensation and the specific performance and financial targets on which such compensation was based.

Non-Financial Objectives. The second category of goals and objectives is non-financial in nature and is developed annually by each of our Named Executive Officers for his or her respective areas of responsibility. These goals and objectives were also defined at the beginning of 2008 and approved by the Board. The Board and the Human Resources Committee were updated as to the Named Executive Officers performance relative to the approved goals and objectives at regular meetings during 2008 and following year end. The accomplishments of the Named Executive Officers were considered, along with the subjective assessment by the Human Resources Committee regarding the importance of such accomplishments in light of Dynegy s business at year-end, when determining compensation awards. Please read Analysis Named Executive Officer Compensation below for a discussion of 2008 compensation and the specific non-financial performance and targets that influenced such compensation.

In the 2008 performance year, the Human Resources Committee formally established guidelines for the Short-Term Incentive Program, pursuant to which financial results were to be considered to a larger extent (75% of total opportunity) than non-financial results (25% of total opportunity). Additionally, 50% of the non-financial results would be evaluated based on functional/individual Named Executive Officer performance, with the remaining 50% of the non-financial results being evaluated on overall non-financial performance measures. Please read 2008 Short-Term Incentive Program below for additional details regarding the 2008 Short-Term Incentive Program.

In addition to the above-described financial and non-financial goals and objectives, executive compensation decisions are also based on the individual performance of our Named Executive Officers. In particular, we have

(1) EBITDA is defined as earnings before interest, taxes, depreciation and amortization.
(2) FCF can be reconciled to OCF, a U.S. generally accepted accounting principles measure, using the following calculation: OCF less maintenance and environmental capital expenditures.
(3) We define EBITDAM as EBITDA less the impact of mark-to-market accounting gains or losses.

adopted a set of core values that reflect the key leadership qualities and behavioral attributes that our executive compensation program is designed to foster and reward. These qualities and attributes include, among others: honesty and integrity; individual responsibility and accountability; engagement and development of our employees; and doing the right things with an expectation that the right things will happen. In evaluating our Chief Executive Officer from this perspective, the Human Resources Committee conducts an annual performance review together with the Board and evaluates his performance based on interaction with him throughout the year. Similarly, the Human Resources Committee, which approves the compensation for our executive officers other than our Chief Executive Officer, consults with the Chief Executive Officer as to his performance review of our other executive officers and their achievements relative to our core values. The Human Resources Committee also evaluates and considers executive leadership in furtherance of our core values based on its subjective judgment and without a precise weight or formula. As a general rule, the Human Resources Committee places greater emphasis on the financial objectives or results than it does on non-financial objectives or leadership when making its compensation decisions.

Market Competitiveness. We believe that in order to attract and retain highly qualified executives, our executive compensation program must be competitive, both in elements and amount, with the broad labor market in which we compete for talent. To support our objective of paying market competitive compensation, each year the Human Resources Committee conducts a detailed competitive evaluation (including, among other things, a review of proprietary and proxy statement information) with its independent compensation consultant. For 2008, the Human Resources Committee selected Towers Perrin as its independent consultant, primarily based upon the firm s depth and breadth of expertise in executive compensation and familiarity with our industry. Towers Perrin was engaged to provide consultant advice or services to the Human Resources Committee, collect competitive executive compensation data, assess the competitiveness of our current compensation programs and strategies and provide information on trends, new rules/regulations and laws that may impact executive compensation practices and administration. Towers Perrin reports to and acts at the sole discretion of the Human Resources Committee and is prohibited from performing services for Dynegy management without pre-approval by the Human Resources Committee.

In an attempt to ensure meaningful competitive compensation comparisons for 2008 executive compensation purposes, the Human Resources Committee reviewed and approved Towers Perrin s approach of constructing our comparative executive compensation data from a combination of peer group proxy statements and published compensation surveys. Towers Perrin collected compensation data from the most recent proxy statement filings for a group of six comparator companies (AES Corp., Allegheny Energy Inc., Edison International, Mirant Corporation, NRG Energy Inc. and Reliant Energy Inc.). The Human Resources Committee and Towers Perrin believe these companies are similar to us in business focus and, despite inexact overlap of focus and the limited number of comparator companies, represent useful reference points for executive compensation purposes. These companies are the same comparator companies that were used in 2007. The proxy statement data collected included base salaries, total compensation amounts and long-term incentive award levels for the Chief Executive Officer, Chief Financial Officer and next three highest-compensated named executives.

Additionally, Towers Perrin used data from its 2008 Executive Compensation Database and Long-Term Incentive Plan Report to provide data for positions with similar roles and responsibilities as our Named Executive Officers. The survey data were provided from general industry companies with characteristics and revenues similar to ours and were updated using an assumed annual update factor of 4.0%. The comparator group proxy statement data described in the preceding paragraph provide an industry-based context for the Human Resources Committee s executive compensation decisions. However, because of the limited number of comparator companies, the different focus of their operations and because we compete for talent within a broader general industry, the Human Resources Committee uses this aggregate data merely as a reference point. The general industry survey data primarily are relied upon in determining market competitiveness, as the larger statistical sample size should reflect less variability and volatility. There are approximately 100 companies in the general industry survey group, none of which are considered material on an individual basis because the Human Resources Committee considers the general industry survey group as a whole.

The Human Resources Committee considers comparative data in structuring our compensation program elements and determining the value of each element to be award