

DYNEGY INC.  
Form 10-K/A  
December 10, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K/A**

(Amendment No. 2)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**DYNEGY INC.**

(Exact name of registrant as specified in its charter)

<b>Entity</b>	<b>Commission File Number</b>	<b>State of Incorporation</b>	<b>I.R.S. Employer Identification No.</b>
Dynegy Inc.  <b>601 Travis Street, Suite 1400 Houston, Texas</b> (Address of principal executive offices)	001-33443	Delaware	20-5653152  <b>77002</b> (Zip Code)

**(713) 507-6400**

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Dynegy's common stock, \$0.01 par value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	

None

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(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2011, the aggregate market value of the Dynegy Inc. common stock held by non-affiliates of the registrant was \$644,913,117 based on the closing sale price as reported on the New York Stock Exchange.

Number of shares outstanding of Dynegy Inc's class of common stock, as of March 2, 2012: Common stock, \$0.01 par value per share, 122,893,088 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

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**DYNEGY INC. FORM 10-K/A  
EXPLANATORY NOTE**

This Amendment No. 2 on Form 10-K/A (the "Amendment") amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, originally filed with the Securities and Exchange Commission ("SEC") on March 8, 2012 (the "Original Filing"). We are filing this Amendment to reflect a correction of the Dynegy Holdings, LLC historical consolidated financial statements and related information for the period from November 8, 2011 through December 31, 2011, which were included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 pursuant to Rule 3-09 of Regulation S-X. There were no corrections necessary to the Dynegy Inc. consolidated financial statements.

This Amendment also includes updated disclosures of nonrecognized subsequent events that have occurred subsequent to the Original Filing, but prior to December 10, 2012 reissuance date. This Amendment should be read in conjunction with the Original Filing, Amendment No. 1 to the Original Filing, which was filed with the SEC on April 26, 2012, and our other filings made with the SEC on or subsequent to March 8, 2012.

The aforementioned is discussed in more detail in the Restatement Note to the accompanying consolidated financial statements beginning on page F-8. The following items of the Original Filing are amended by this Amendment No. 2:

- Item 8. Financial Statements and Supplementary Data**
- Item 15. Exhibits, Financial Statement Schedules**

Unaffected items have not been repeated in this Amendment No. 2.

**PLEASE NOTE THAT THE INFORMATION CONTAINED IN THIS AMENDMENT NO. 2, INCLUDING THE FINANCIAL STATEMENTS AND THE NOTES THERETO, DOES NOT REFLECT EVENTS OCCURRING AFTER THE DATE OF THE ORIGINAL FILING, WITH THE EXCEPTION OF THE ITEM DISCUSSED ABOVE. SUCH EVENTS INCLUDE, AMONG OTHERS, THE EVENTS DESCRIBED IN OUR PERIODIC REPORTS ON FORM 10-Q AND CURRENT REPORTS ON FORM 8-K AND ANY AMENDMENTS THERETO. FOR A DESCRIPTION OF THESE EVENTS, PLEASE READ OUR EXCHANGE ACT REPORTS FILED SINCE MARCH 8, 2012.**

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**PART I**

**PLEASE NOTE THAT THE INFORMATION CONTAINED IN THIS AMENDMENT, INCLUDING THE FINANCIAL STATEMENTS AND THE NOTES THERETO, DOES NOT REFLECT EVENTS OCCURRING AFTER THE DATE OF THE ORIGINAL FILING, WITH THE EXCEPTION OF THE ITEM DISCUSSED ABOVE. SUCH EVENTS INCLUDE, AMONG OTHERS, THE EVENTS DESCRIBED IN OUR PERIODIC REPORTS ON FORM 10-Q AND CURRENT REPORTS ON FORM 8-K AND ANY AMENDMENTS THERETO. FOR A DESCRIPTION OF THESE EVENTS, PLEASE READ OUR EXCHANGE ACT REPORTS FILED SINCE MARCH 8, 2012.**

**DEFINITIONS**

Unless the context indicates otherwise, throughout this report, the terms "the Company," "we," "us," "our" and "ours" are used to refer to Dynegy Inc. and its direct and indirect subsidiaries as presented in our consolidated financial statements. Terms used, but not defined, herein shall have the meanings ascribed to them in our Original Filing. Effective November 7, 2011, we deconsolidated Dynegy Holdings, LLC ("DH") and its consolidated subsidiaries, which included the operations of our Gas and DNE segments. Discussions or areas of this Amendment that apply only to Dynegy, or DH, are clearly noted in such discussions or areas.

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**PART II**

**Item 8. Financial Statements and Supplementary Data**

DH financial statements and financial statement schedule are set forth at pages F-1 through F-61 inclusive, found at the end of this annual report, and are incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents, which we have filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, are by this reference incorporated in and made a part of this annual report:

1. Financial Statements Our consolidated financial statements were previously filed with the Original Filing. The Consolidated Financial Statements of DH are included in this Amendment pursuant to Rule 3.09 of Regulation S-X and are incorporated under Item 8 of this report.
2. Financial Statement Schedules Financial Statement Schedules are incorporated under Item 8. of the Original Filing.
3. Exhibits The following instruments and documents are included as exhibits to this report. All management contracts or compensation plans or arrangements set forth in such list are marked with a .

<b>Exhibit Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of August 13, 2010, among Dynegy Inc., Denali Parent Inc. and Denali Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings Inc. filed on August 13, 2010, File No. 000-29311).
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of November 16, 2010, among Dynegy Inc., Denali Parent Inc. and Denali Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings Inc. filed on November 17, 2010, File No. 000-29311).
2.3	Membership Interest Purchase Agreement by and between Dynegy Gas Investments, LLC and Dynegy Inc. dated September 1, 2011 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Dynegy Holdings, LLC filed on September 8, 2011, File No. 000-29311).
2.4	Undertaking Agreement by and between Dynegy Gas Investments, LLC and Dynegy Inc. dated September 1, 2011 (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K of Dynegy Holdings, LLC filed on September 8, 2011, File No. 000-29311).
2.5	Amended and Restated Undertaking Agreement by and between Dynegy Holdings, LLC and Dynegy Inc. (incorporated by reference to Exhibit 2.3 to the Current Report on Form 8-K of Dynegy Holdings, LLC filed on September 8, 2011, File No. 000-29311).
2.6	Agreement and Plan of Merger, dated as of December 15, 2010 among Dynegy Inc., IEH Merger Sub LLC, and IEP Merger Sub Corp. (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of Dynegy Inc. filed on December 15, 2010, File No. 001-33443).

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<b>Exhibit Number</b>	<b>Description</b>
2.7	Amendment No. 1 to the Agreement and Plan of Merger, dated as of February 13, 2011 among Dynegy Inc., IEH Merger Sub LLC, and IEP Merger Sub Corp. (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of Dynegy Inc. filed on February 14, 2011, File No. 001-33443).
3.1	Dynegy's Second Amended and Restated Certificate of Incorporation, amended as of May 21, 2010 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings Inc. filed on May 25, 2010).
3.2	Dynegy Inc. Third Amended and Restated Bylaws, as amended on November 17, 2011 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of Dynegy Inc. filed on November 17, 2011, File No. 001-33443).
4.1	Subordinated Debenture Indenture between NGC Corporation and The First National Bank of Chicago, as Debenture Trustee, dated as of May 28, 1997 (incorporated by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 1997 of NGC Corporation, File No. 1-11156).
***4.2	Amended and Restated Declaration of Trust among NGC Corporation, Wilmington Trust Company, as Property Trustee and Delaware Trustee, and the Administrative Trustees named therein, dated as of May 28, 1997 (incorporated by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 1997 of NGC Corporation, File No. 1-11156).
4.3	Purchase Agreement, dated as of May 22, 1997, by and between NGC Corporation, NGC Corporation Capital Trust I and Lehman Brothers Inc., Salomon Brothers Inc. and Smith Barney Inc. as Exhibit C to the Amended and Restated Declaration of Trust among NGC Corporation, Wilmington Trust Company, as Property Trustee and Delaware Trustee, and the Administrative Trustees named therein, dated as of May 28, 1997 (incorporated by reference to Exhibit 4.3 to the Original Filing).
4.4	Series A Capital Securities Guarantee Agreement executed by NGC Corporation and The First National Bank of Chicago, as Guarantee Trustee, dated as of May 28, 1997 (incorporated by reference to Exhibit 4.9 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 1997 of NGC Corporation, File No. 1-11156).
4.5	Common Securities Guarantee Agreement of NGC Corporation, dated as of May 28, 1997 (incorporated by reference to Exhibit 4.10 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 1997 of NGC Corporation, File No. 1-11156).
4.6	Registration Rights Agreement, dated as of May 28, 1997, among NGC Corporation, NGC Corporation Capital Trust I, Lehman Brothers, Salomon Brothers Inc. and Smith Barney Inc. (incorporated by reference to Exhibit 4.11 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 1997 of NGC Corporation, File No. 1-11156).
4.7	Indenture, dated as of September 26, 1996, restated as of March 23, 1998, and amended and restated as of March 14, 2001, between Dynegy Holdings Inc. and Bank One Trust Company, National Association, as Trustee (incorporated by reference to Exhibit 4.17 to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000 of Dynegy Holdings Inc., File No. 000-29311).

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<b>Exhibit Number</b>	<b>Description</b>
4.8	First Supplemental Indenture, dated July 25, 2003 to that certain Indenture, dated as of September 26, 1996, between Dynegy Holdings Inc. and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of Dynegy Inc. filed on July 28, 2003, File No. 1-15659).
4.9	Second Supplemental Indenture, dated as of April 12, 2006, to that certain Indenture, originally dated as of September 26, 1996, as amended and restated as of March 23, 1998 and again as of March 14, 2001, by and between Dynegy Holdings Inc. and Wilmington Trust Company (as successor to JPMorgan Chase Bank, N.A.), as trustee, as supplemented by that certain First Supplemental Indenture, dated as of July 25, 2003 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Dynegy Inc. filed on April 12, 2006, File No. 1-15659).
4.10	Third Supplemental Indenture, dated as of May 24, 2007, to that certain Indenture, originally dated as of September 26, 1996, as amended and restated as of March 23, 1998 and again as of March 14, 2001, by and between Dynegy Holdings Inc. and Wilmington Trust Company (as successor to JPMorgan Chase Bank, N.A.), as trustee, as supplemented by that certain First Supplemental Indenture, dated as of July 25, 2003, and that certain Second Supplemental Indenture, dated as of April 12, 2006 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on May 25, 2007, File No. 000-29311).
4.11	Fourth Supplemental Indenture, dated as of May 24, 2007, to that certain Indenture, originally dated as of September 26, 1996, as amended and restated as of March 23, 1998 and again as of March 14, 2001, by and between Dynegy Holdings Inc. and Wilmington Trust Company (as successor to JPMorgan Chase Bank, N.A.), as trustee, as supplemented by that certain First Supplemental Indenture, dated as of July 25, 2003, that certain Second Supplemental Indenture, dated as of April 12, 2006, and that certain Third Supplemental Indenture, dated as of May 24, 2007 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on May 25, 2007, File No. 000-29311).
4.12	Fifth Supplemental Indenture dated as of December 1, 2009 between Dynegy Holdings Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings Inc. filed on December 1, 2009, File No. 001-33443 and 000-29311, respectively).
4.13	7.5 percent Senior Unsecured Note Due 2015 (included in Exhibit 4.1 and incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings Inc. filed on December 1, 2009, File No. 001-33443 and 000-29311, respectively).
4.14	Sixth Supplemental Indenture dated as of December 30, 2009 between Dynegy Holdings and Wilmington Trust Company (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings Inc. filed on January 4, 2010, File No. 001-33443 and 000-29311, respectively).
4.15	Registration Rights Agreement, effective as of July 21, 2006, by and among Dynegy Holdings Inc. RCP Debt, LLC and RCMF Debt, LLC (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Dynegy Inc. filed on July 24, 2006, File No. 1-15659).



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<b>Exhibit Number</b>	<b>Description</b>
4.16	Registration Rights Agreement, dated as of May 24, 2007, by and among Dynegy Holdings Inc. and the several initial purchasers party thereto (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on May 25, 2007, File No. 000-29311).
4.17	Shareholder Agreement, dated as of August 9, 2009 between Dynegy Inc. and LS Power and its affiliates (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on August 13, 2009, File No. 001-33443).
4.18	Registration Rights Agreement, dated as of September 14, 2006, among Dynegy Acquisition, Inc., LS Power Partners, L.P., LS Power Associates, L.P., LS Power Equity Partners, L.P., LS Power Equity Partners PIE I, L.P. and LSP Gen Investors, L.P. (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Dynegy Inc. filed on September 19, 2006, File No. 1-15659).
4.19	Amendment No. 1 to the Registration Rights Agreement dated September 14 2006 by and between Dynegy Inc. and LS Power and affiliates, dated August 9, 2009 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Dynegy Inc. filed on August 13, 2009, File No. 001-33443).
4.20	Purchase Agreement, dated as of March 29, 2006, for the sale of \$750,000,000 aggregate principal amount of the 8.375 percent Senior Unsecured Notes due 2016 of Dynegy Holdings Inc. among Dynegy Holdings Inc. and the several initial purchasers named therein (incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2006 of Dynegy Inc., File No. 1-15659).
4.21	Purchase Agreement, dated as of May 17, 2007, by and between Dynegy Holdings Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for Quarterly Period Ended June 30, 2007 of Dynegy Holdings Inc., File No. 000-29311).
4.22	Exchange Agreement, dated as of July 21, 2006, by and among Dynegy Holdings Inc., RCP Debt, LLC and RCMF Debt, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on July 24, 2006, File No. 1-15659).
4.23	Registration Rights Agreement dated as of December 1, 2009 by and between Dynegy Holdings Inc. and Adio Bond, LLC (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on December 1, 2009, File No. 001-33443).
4.24	Promissory Note by and between Dynegy Holdings, LLC and Dynegy Gas Investments, LLC dated September 1, 2011 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Dynegy Holdings, LLC filed on September 8, 2011, File No. 000-29311).
10.1	Note Purchase Agreement by and between Dynegy Holdings Inc. and Adio Bond, LLC, dated August 9, 2009 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Dynegy Inc. filed on August 13, 2009, File No. 001-33443).
10.2	Purchase Agreement, dated as of December 2, 2009, by and among Credit Suisse Securities (USA) and Citigroup Global Markets Inc. (as representatives for additional purchasers named in the Purchase Agreement), Adio Bond, LLC and Dynegy Holdings Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K by Dynegy Inc. filed on December 7, 2009, File No. 001-33443).

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<b>Exhibit Number</b>	<b>Description</b>
10.3	Credit Agreement, dated as of August 5, 2011, among Dynegy Midwest Generation, LLC, as borrower and the guarantors, lenders and other parties thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
10.4	Credit Agreement dated as of August 5, 2011 among Dynegy Power, LLC and the guarantors, lenders and other parties thereto (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
10.5	Guarantee and Collateral Agreement, dated as of August 5, 2011 among Dynegy Midwest Generation, LLC, the subsidiaries of the borrower from time to time party thereto and other parties thereto (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
10.6	Guarantee and Collateral Agreement, dated as of August 5, 2011 among Dynegy Power, LLC, the subsidiaries of the borrower from time to time party thereto and other parties thereto (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
***10.7	Letter of Credit Reimbursement and Collateral Agreement, dated as of August 5, 2011 among Dynegy Midwest Generation, LLC and Credit Suisse AG, Cayman Islands Branch (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
10.8	Collateral Trust and Intercreditor Agreement, dated as of August 5, 2011 among Dynegy Coal Investments Holdings, LLC, Dynegy Midwest Generation, LLC, the guarantors and the other parties thereto (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
10.9	Collateral Trust and Intercreditor Agreement, dated as of August 5, 2011 among Dynegy Gas Investment Holdings, LLC, Dynegy Power LLC, the guarantors and the other parties thereto (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
***10.10	Letter of Credit Reimbursement and Collateral Agreement, dated as of August 5, 2011 between Dynegy Power LLC and Credit Suisse AG, Cayman Islands Branch (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
***10.11	Letter of Credit Reimbursement and Collateral Agreement, dated as of August 5, 2011 between Dynegy Holdings Inc. and Credit Suisse AG, Cayman Islands Branch (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K of Dynegy Inc and Dynegy Holdings Inc. filed on August 8, 2011, File No. 001-33443).
***10.12	Letter of Credit Reimbursement and Collateral Agreement, dated as of August 5, 2011 among Dynegy Power LLC and Barclays Bank PLC (incorporated by reference to Exhibit 10.21 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).

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<b>Exhibit Number</b>	<b>Description</b>
10.13	Dynegy Inc. Executive Severance Pay Plan, as amended and restated effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on January 4, 2008, File No. 001-33443).
10.14	First Amendment to the Dynegy Inc. Executive Severance Pay Plan effective as of January 1, 2010 (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2009 of Dynegy Inc., File No. 1-15659).
10.15	Second Amendment to the Dynegy Inc. Executive Severance Pay Plan, dated as of September 20, 2010. (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2010 of Dynegy Inc., File No. 1-15659).
10.16	Third Amendment to the Dynegy Inc. Executive Severance Pay Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on March 22, 2011, File No. 1-33443).
10.17	Fourth Amendment to the Dynegy Inc. Executive Severance Pay Plan, dated as of August 8, 2011(incorporated by reference to Exhibit 10. 1 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.18	Dynegy Inc. Executive Change in Control Severance Pay Plan effective April 3, 2008 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on April 8, 1008, File No. 001-33443).
10.19	First Amendment to the Dynegy Inc. Executive Change In Control Severance Pay Plan, dated as of September 22, 2010 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2010 of Dynegy Inc, File No. 1-15659).
10.20	Dynegy Inc. Excise Tax Reimbursement Policy, effective January 1, 2008 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Dynegy Inc. filed on January 4, 2008, File No. 001-33443).
10.21	Dynegy Inc. Restoration 401(k) Savings Plan, effective June 1, 2008 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Dynegy Inc. filed on August 7, 2008, File No. 001-33443).
10.22	First Amendment to the Dynegy Inc. Restoration 401(k) Savings Plan, effective June 1, 2008 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Dynegy Inc. filed on August 7, 2008, File No. 001-33443).
10.23	Second Amendment to Dynegy Inc. Restoration 401(k) Savings Plan, effective January 1, 2012 (incorporated by reference to Exhibit 10.23 to the Original Filing).
10.24	Dynegy Inc. Restoration Pension Plan, effective June 1, 2008 (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Dynegy Inc. filed on August 7, 2008, File No. 001-33443).
10.25	First Amendment to the Dynegy Inc. Restoration Pension Plan, effective June 1, 2008 (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of Dynegy Inc. filed on August 7, 2008, File No. 001-33443).

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<b>Exhibit Number</b>	<b>Description</b>
10.26	Second Amendment to the Dynegy Inc. Restoration Pension Plan, executed on July 2, 2010 (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Dynegy Inc. and Dynegy Holdings Inc. filed on August 6, 2010, File No. 000-29311).
10.27	Third Amendment to Dynegy Inc. Restoration Pension Plan, effective January 1, 2012 (incorporated by reference to Exhibit 10.27 to the Original Filing).
10.28	Form of Phantom Stock Unit Award Agreement Vice President and above, dated March 7, 2011 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2011 of Dynegy Inc., File No. 1- 33443).
10.29	Form of Phantom Stock Unit Award Agreement Managing Director, dated March 7, 2011(incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2011 of Dynegy Inc., File No. 1- 33443).
10.30	Phantom Stock Unit Award Agreement between Dynegy Inc. and E. Hunter Harrison dated June 30, 2011 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.31	Non-Qualified Stock Option Award Agreement between Dynegy Inc. and Robert C. Flexon date July 11, 2011(incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.32	Stock Appreciation Right Award Agreement between Dynegy Inc. and Robert C. Flexon dated July 11, 2011(incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.33	Non-Qualified Stock Option Award Agreement between Dynegy Inc. and Kevin T. Howell date July 5, 2011(incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.34	Non-Qualified Stock Option Award Agreement between Dynegy Inc. and Clint C. Freeland date July 5, 2011(incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.35	Non-Qualified Stock Option Award Agreement between Dynegy Inc. and Carolyn Burke dated August 30, 2011 (incorporated by reference to Exhibit 10. 3 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.36	Non-Qualified Stock Option Award Agreement between Dynegy Inc. and Catherine Callaway dated September 26, 2011 (incorporated by reference to Exhibit 10. 4 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.37	Consulting Agreement and Release dated March 8, 2011between Dynegy Inc. and Holli C. Nichols. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A of Dynegy Inc. filed on March 10, 2011, File No. 1-33443).
10.38	Severance Agreement and Release by and between Dynegy Inc. and Bruce A. Williamson (incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K of Dynegy Inc. for the year ended December 31, 2010, File No. 1-33443).

## Edgar Filing: DYNEGY INC. - Form 10-K/A

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<b>Exhibit Number</b>	<b>Description</b>
10.39	Independent Contractor Agreement between Dynegy Inc. and David W. Biegler (incorporated by reference to Exhibit 10.48 to the Annual Report on Form 10-K of Dynegy Inc. for the year ended December 31, 2010, File No. 1-33443).
10.40	Transition Services Agreement between Dynegy Inc. and Lynn Lednicky dated June 28, 2011(incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.41	Employment Agreement between Dynegy Inc. and Robert Flexon dated June 22, 2011(incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.42	Employment Agreement between Dynegy Inc. and Kevin Howell dated June 22, 2011(incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.43	Employment Agreement between Dynegy Inc. and Clint C. Freeland dated June 23, 2011(incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.44	Employment Agreement between Dynegy Inc. and Carolyn J. Burke dated July 5, 2011(incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.45	Employment Agreement between Dynegy Inc. and Catherine Callaway dated September 16, 2011 (incorporated by reference to Exhibit 10. 2 to the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.46	Form Award Agreement for 2012 Long Term Incentive Program Award Cash (CEO) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on January 9, 2012 File No. 001-33443).
10.47	Form Award Agreement for 2012 Long Term Incentive Program Award Cash (EVP) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Dynegy Inc. filed on January 9, 2012 File No. 001-33443).
10.48	Dynegy Inc. 2009 Phantom Stock Plan (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Dynegy Inc. filed on March 10, 2009, File No. 001-33443).
10.49	First Amendment to the Dynegy Inc. 2009 Phantom Stock Plan, dated as of July 8, 2011(incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2011 of Dynegy Inc., File No. 1- 33443).
10.50	Dynegy Inc. Deferred Compensation Plan, amended and restated, effective January 1, 2002(incorporated by reference to Exhibit 4.6 to the Registration Statement on Form S-8 of Dynegy Inc., Registration No. 333-76080).
10.51	Amendment to the Dynegy Inc. Deferred Compensation Plan, dated as of April 2, 2007 (incorporated by reference to Exhibit 10.38 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on April 6, 2007, File No. 000-29311).

## Edgar Filing: DYNEGY INC. - Form 10-K/A

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<b>Exhibit Number</b>	<b>Description</b>
10.52	Dynegy Inc. Deferred Compensation Plan for Certain Directors, as amended and restated, effective January 1, 2008 (incorporated by reference to Exhibit 10.55 to the Annual Report on Form 10-K for the Fiscal Year ended December 31, 2009, filed on February 26, 2009, File No. 001-33443).
10.53	Trust under Dynegy Inc. Deferred Compensation Plan for Certain Directors, effective January 1, 2009 (incorporated by reference to Exhibit 10.56 to the Annual Report on Form 10-K for the Fiscal Year ended December 31, 2009, filed on February 26, 2009, File No. 001-33443).
10.54	Dynegy Inc. Incentive Compensation Plan, as amended and restated effective May 21, 2010 (incorporated by reference to Exhibit 10.34 to the Annual Report on Form 10-K for the Fiscal Year ended December 31, 2010, File No. 001-33443)
10.55	Dynegy Inc. 2010 Long Term Incentive Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Dynegy Inc. filed on May 26, 2010, File No. 333-167091).
10.56	Dynegy Inc. 2000 Long Term Incentive Plan (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999 of Dynegy Inc., File No. 1-11156).
10.57	Amendment to the Dynegy Inc. 2000 Long Term Incentive Plan effective January 1, 2006 (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Dynegy Inc. filed on March 17, 2006, File No. 1-15659).
10.58	Second Amendment to the Dynegy Inc. 2000 Long Term Incentive Plan, dated as of April 2, 2007 (incorporated by reference to Exhibit 10.34 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on April 6, 2007, File No. 000-29311).
10.59	Dynegy Inc. 2002 Long Term Incentive Plan (incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A of Dynegy Inc., File No. 1-15659, filed with the SEC on April 9, 2002).
10.60	Amendment to the Dynegy Inc. 2002 Long Term Incentive Plan, effective January 1, 2006 (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Dynegy Inc. filed on March 17, 2006, File No. 1-15659).
10.61	Second Amendment to the Dynegy Inc. 2002 Long Term Incentive Plan, dated as of April 2, 2007 (incorporated by reference to Exhibit 10.36 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on April 6, 2007, File No. 000-29311).
10.62	Dynegy Inc. Deferred Compensation Plan Trust Agreement (incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-8 of Dynegy Inc., Registration No. 333-76080).
10.63	Amendment to Dynegy Inc. Deferred Compensation Plan Trust Agreement (Vanguard), dated as of April 2, 2007 (incorporated by reference to Exhibit 10.54 to the Current Report on Form 8-K of Dynegy Holdings Inc. filed on April 6, 2007, File No. 000-29311).
10.65	Baldwin Consent Decree, approved May 27, 2005 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. filed on May 31, 2005, File No. 1-15659).

## Edgar Filing: DYNEGY INC. - Form 10-K/A

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<b>Exhibit Number</b>	<b>Description</b>
10.66	Letter Agreement dated March 8, 2011 by and between Dynegy Inc. and IEH Merger Sub LLC, Icahn Enterprises Holdings L.P., IEP Merger Sub Inc., Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises L.P., Icahn Enterprises G.P. Inc., Beckton Corp., and Carl C. Icahn. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. filed on March 10, 2011, File No. 1-33443).
10.67	Assignment Agreement by and among Dynegy Gas Investments, LLC, Dynegy Holdings, LLC and Dynegy Inc. dated September 1, 2011 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Holdings, LLC filed on September 8, 2011, File No. 000-29311).
10.68	Restructuring Support Agreement, dated November 7, 2011, among Dynegy Inc., Dynegy Holdings, LLC and certain beneficial holders of notes issued by Dynegy Holdings, LLC (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on November 8, 2011, File No. 001-33443).
10.69	First Amendment to the Restructuring Support Agreement, dated December 9, 2011 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 9, 2011, File No. 001-33443).
10.70	Second Amendment to the Restructuring Support Agreement, dated December 16, 2011 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 20, 2011, File No. 001-33443).
10.71	Amended and Restated Restructuring Support Agreement, dated December 26, 2011 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 27, 2011, File No. 001-33443).
10.72	Chapter 11 Plan of Reorganization for Dynegy Holdings, LLC proposed by Dynegy Holdings, LLC and Dynegy Inc., dated December 1, 2011 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 2, 2011, File No. 001-33443).
10.73	Amended Chapter 11 Plan of Reorganization for Dynegy Holdings, LLC proposed by Dynegy Holdings, LLC and Dynegy Inc., dated January 19, 2012 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on January 23, 2012, File No. 001-33443).
10.74	Second Amended Chapter 11 Plan of Reorganization for Dynegy Holdings, LLC proposed by Dynegy Holdings, LLC and Dynegy Inc., dated March 6, 2012 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on March 7, 2012, File No. 001-33443).
10.75	Description of the Plan Secured Notes, as Exhibit C to the Plan of Reorganization, dated December 23, 2011 (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 27, 2011, File No. 001-33443).

## Edgar Filing: DYNEGY INC. - Form 10-K/A

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<b>Exhibit Number</b>	<b>Description</b>
10.76	Description of the Plan Secured Notes, as Exhibit C to the Amended Plan of Reorganization, dated January 19, 2012 (incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on January 23, 2012, File No. 001-33443).
10.77	Description of the Plan Secured Notes, as Exhibit C to the Second Amended Plan of Reorganization, dated March 6, 2012 (incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on March 7, 2011, File No. 001-33443).
10.78	Certificate of Designation for the Plan Preferred Stock, as Exhibit D to the Plan of Reorganization dated December 23, 2011 (incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 27, 2011, File No. 001-33443).
10.79	Certificate of Designation for the Plan Preferred Stock, as Exhibit D to the Second Amended Plan of Reorganization, dated March 6, 2012 (incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on March 7, 2012, File No. 001-33443).
10.80	Disclosure Statement Related to the Chapter 11 Plan of Reorganization for Dynegy Holdings, LLC Proposed by Dynegy Holdings, LLC and Dynegy Inc. (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 2, 2011, File No. 001-33443).
10.81	Disclosure Statement Related to the Amended Chapter 11 Plan of Reorganization for Dynegy Holdings, LLC Proposed by Dynegy Holdings, LLC and Dynegy Inc., dated January 19, 2012 (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on January 23, 2012, File No. 001-33443).
10.82	Disclosure Statement Related to the Second Amended Chapter 11 Plan of Reorganization for Dynegy Holdings, LLC Proposed by Dynegy Holdings, LLC and Dynegy Inc., dated March 6, 2012 (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on March 7, 2012, File No. 001-33443).
10.83	Dynegy Inc., Dynegy Holdings, LLC and certain of its affiliates and subsidiaries and Resources Capital Management Corporation and certain of its affiliates and subsidiaries Binding Term Sheet, dated December 13, 2011 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Dynegy Inc. and Dynegy Holdings, LLC filed on December 14, 2011, File No. 001-33443).
14.1	Dynegy Inc. Code of Ethics for Senior Financial Professionals, as amended on November 16, 2011 (incorporated by reference to Exhibit 14.1 to the Current Report on Form 8-K filed on November 17, 2011 File No. 001-33443).
21.1	Subsidiaries of the Registrant (Dynegy Inc.) (incorporated by Reference to Exhibit 21.1 to the Original Filing).
23.1	Consent of Ernst & Young LLP (Dynegy Inc.) (incorporated by Reference to Exhibit 23.1 to the Original Filing).
**31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14(a) and 15d-14(a), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.



## Edgar Filing: DYNEGY INC. - Form 10-K/A

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<b>Exhibit Number</b>	<b>Description</b>
**31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14(a) and 15d-14(a), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification Pursuant to 18 United States Code Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification Pursuant to 18 United States Code Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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XBRL information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document. Previously filed with the Original Filing.

\*\*

Filed herewith

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Certain exhibits, attachments or schedules to the exhibits filed herewith were never prepared or used by the parties in connection with the transactions which are the subject of the filed exhibit and therefore no actual exhibit, attachment or schedule exists.

Pursuant to Securities and Exchange Commission Release No. 33-8238, this certification will be treated as "accompanying" this report and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Management contract or compensation plan.



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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**DEBTOR-IN-POSSESSION**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors  
and Member of Dynegy Holdings, LLC

We have audited the accompanying consolidated balance sheet of Dynegy Holdings, LLC (the "Company") as of December 31, 2011, and the related consolidated statements of operations, comprehensive loss, cash flows, and changes in member's equity for the period from November 8, 2011 through December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dynegy Holdings, LLC at December 31, 2011, and the consolidated results of its operations and its cash flows for the period from November 8, 2011 through December 31, 2011, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Dynegy Holdings, LLC will continue as a going concern. As more fully described in Notes 1 and 3, Dynegy Holdings, LLC and certain of its subsidiaries filed for relief under Chapter 11 of Title 11 of the United States Code on November 7, 2011. This condition raises substantial doubt about Dynegy Holdings, LLC's ability to continue as a going concern. Management's plans in regard to this matter are also described in Notes 1 and 3. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As discussed in the Restatement Note, the consolidated financial statements have been restated to correct an error in the income tax provision and deferred income taxes.

/s/ Ernst & Young, LLP  
Houston, Texas  
March 8, 2012

Except as it relates to the matter discussed in the Restatement Note, as to which the date is  
December 10, 2012

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**  
**CONSOLIDATED BALANCE SHEET**

See Restatement Note

December 31, 2011

(in millions)

	<b>Restated</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 398
Restricted cash and investments	159
Accounts receivable, net of allowance for doubtful accounts of \$12	147
Accounts receivable, affiliates	26
Interest receivable, affiliate	8
Inventory	65
Assets from risk-management activities	2,615
Assets from risk-management activities, affiliates	2
Broker margin account	23
Prepayments and other current assets	126
<b>Total Current Assets</b>	<b>3,569</b>
<b>Property, Plant and Equipment</b>	<b>3,911</b>
Accumulated depreciation	(1,090)
<b>Property, Plant and Equipment, Net</b>	<b>2,821</b>
<b>Other Assets</b>	
Restricted cash and investments	455
Assets from risk-management activities	26
Intangible assets	92
Undertaking receivable, affiliate	1,250
Deferred income taxes	44
Other long-term assets	54
<b>Total Assets</b>	<b>\$ 8,311</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 80
Accounts payable, affiliates	47
Accrued interest	1
Deferred income taxes	50
Accrued liabilities and other current liabilities	64
Liabilities from risk-management activities	2,798
Liabilities from risk-management activities, affiliates	4
Notes payable and current portion of long-term debt	7
<b>Total Current Liabilities</b>	<b>3,051</b>
<b>Liabilities subject to compromise</b>	<b>4,012</b>
<b>Long-Term Debt</b>	<b>1,069</b>

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**Other Liabilities**

Liabilities from risk-management activities	20
Liabilities from risk-management activities, affiliates	3
Other long-term liabilities	124

**Total Liabilities** 8,279

**Commitments and Contingencies (Note 17)**

**Member's Equity** 32

**Total Liabilities and Member's Equity** \$ 8,311

See the notes to the consolidated financial statements.

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE PERIOD FROM NOVEMBER 8, 2011 THROUGH DECEMBER 31, 2011**

See Restatement Note

(in millions)

	<b>Restated</b>
Revenues	\$ 50
Cost of sales	(70)
Operating and maintenance expense, exclusive of depreciation shown separately below	(36)
Depreciation and amortization expense	(12)
General and administrative expenses	(7)
Restructuring charges	(1)
<b>Operating loss</b>	<b>(76)</b>
Bankruptcy reorganization charges	(666)
Interest expense	(23)
Other income and expense, net	14
<b>Loss before income taxes</b>	<b>(751)</b>
Income tax benefit	188
<b>Net loss</b>	<b>\$ (563)</b>

See the notes to the consolidated financial statements.

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**FOR THE PERIOD FROM NOVEMBER 8, 2011 THROUGH DECEMBER 31, 2011**

See Restatement Note

(in millions)

	<b>Restated</b>
Net loss	\$ (563)
Changes in cash flow hedging activities, net (net of tax benefit of \$3)	(2)
Actuarial loss and amortization of unrecognized prior service cost (net of tax expense of \$1)	2
Comprehensive loss.	\$ (563)

See the notes to the consolidated financial statements.

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM NOVEMBER 8, 2011 THROUGH DECEMBER 31, 2011**

See Restatement Note

(in millions)

	Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net loss	\$ (563)
Adjustments to reconcile income (loss) to net cash flows from operating activities:	
Depreciation and amortization	14
Bankruptcy reorganization charges	663
Risk-management activities	53
Risk management activities, affiliates	(5)
Deferred taxes	(188)
Other	7
Changes in working capital:	
Accounts receivable	28
Inventory	(2)
Broker margin account	36
Prepayments and other assets	8
Accounts payable and accrued liabilities	33
Affiliate transactions	(16)
Changes in non-current assets	(9)
Changes in non-current liabilities	(4)
<b>Net cash provided by operating activities</b>	<b>55</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Capital expenditures	(23)
Decrease in restricted cash	66
<b>Net cash provided by investing activities</b>	<b>43</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Repayments of borrowings	(3)
<b>Net cash used in financing activities</b>	<b>(3)</b>
<b>Net increase in cash and cash equivalents</b>	<b>95</b>
Cash and cash equivalents, beginning of period	303
<b>Cash and cash equivalents, end of period</b>	<b>\$ 398</b>

See the notes to the consolidated financial statements.



**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**  
**CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE PERIOD FROM NOVEMBER 8, 2011 THROUGH DECEMBER 31, 2011**

See Restatement Note

(in millions)

	Member's Contributions	Affiliate Receivable	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
November 7, 2011 (Restated)	\$ 5,135	\$ (871)	\$ 1	\$ (3,695)	\$ 570
Net loss (Restated)				(563)	(563)
Affiliate activity (Note 15)		25			25
December 31, 2011 (Restated)	\$ 5,135	\$ (846)	\$ 1	\$ (4,258)	\$ 32

See the notes to the consolidated financial statements.

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(RESTATED)**

**PLEASE NOTE THAT THIS AMENDMENT INCLUDES UPDATED DISCLOSURES OF NONRECOGNIZED SUBSEQUENT EVENTS THAT HAVE OCCURRED SUBSEQUENT TO THE ORIGINAL FILING, BUT PRIOR TO THE DECEMBER 10, 2012 REISSUANCE DATE.**

**Restatement Note**

In addition to the disclosure noted above, the accompanying financial statements have been restated to correct an error in the accounting for income taxes. The error resulted from an understatement of valuation allowances associated with deferred tax assets recorded upon the transfer of Dynegy Coal HoldCo to Dynegy Inc. on September 1, 2011 and a related overstatement of the valuation allowances associated with other deferred tax assets at December 31, 2011. The error resulted in an understatement of approximately \$210 million in DH's income tax benefit for the period November 8, 2011 through December 31, 2011 and an understatement of approximately \$6 million in DH's net deferred tax liability as of December 31, 2011.

The restatement affects Note 4 Condensed Combined Financial Statements of the Debtor Entities, Note 16 Income Taxes and Note 19 Segment Information. The restatement had no effect on our previously reported net cash provided by (used in) operating activities, investing activities or financing activities for any period presented.

**Summary.** A synopsis of the aggregate financial impact of the restatement on the amounts originally reported in the Original Filing is as follows:

**RESTATED SELECTED BALANCE SHEET DATA**  
**December 31, 2011**  
**(in millions)**

	As previously reported	Restatement Effect	As Restated
Other Assets			
Deferred income taxes	\$	44	\$ 44
Total Assets	\$ 8,267	44	\$ 8,311
Current Liabilities			
Deferred income taxes	\$	50	\$ 50
Total Current Liabilities	\$ 3,001	50	\$ 3,051
Total Liabilities	\$ 8,229	50	\$ 8,279
Member's Equity	\$ 38	(6)	\$ 32
Total Liabilities and Member's Equity	\$ 8,267	44	\$ 8,311

**RESTATED SELECTED STATEMENT OF OPERATIONS DATA**  
**FOR THE PERIOD FROM NOVEMBER 8, 2011 THROUGH DECEMBER 31, 2011**  
**(in millions)**

	As previously reported	Restatement Effect	As Restated
Income tax benefit (expense)	\$ (22)	210	\$ 188
Net loss	\$ (773)	210	\$ (563)

In addition to the above, net loss and deferred taxes also changed by \$210 million to \$563 million and \$188 million, respectively, on the consolidated statement of cash flows.



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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 1 Organization and Operations**

Dynegy Holdings, LLC ("DH" and, together with its subsidiaries, "we", "us" or "our") is a holding company and we conduct substantially all of our business operations through our subsidiaries. Our current business operations are focused primarily on the power generation sector of the energy industry. We report the results of our power generation business as two separate segments: (i) the Gas segment ("Gas"), and (ii) the Dynegy Northeast segment ("DNE"). Our consolidated financial results also reflect corporate-level expenses such as interest and depreciation and amortization. General and administrative expenses are allocated to each reportable segment. Subsidiaries in our Gas and DNE segments have entered into service agreements with certain of our affiliates. Please read Note 15 Related Party Transactions for further discussion of the service agreements.

The Gas segment includes Dynegy Power, LLC ("DPC"), which owns, directly and indirectly, all of our wholly-owned natural gas-fired power generation facilities. DPC, a bankruptcy remote entity, and its direct and indirect subsidiaries are organized into a ring-fenced group for the benefit of the creditors of DPC.

**Chapter 11 Filings.** On November 7, 2011, we and four of our wholly owned subsidiaries, Dynegy Northeast Generation, Inc., Hudson Power, L.L.C., Dynegy Danskammer, L.L.C. and Dynegy Roseton, L.L.C. (collectively, the "Debtor Entities") filed voluntary petitions (the "Chapter 11 Cases") for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York, Poughkeepsie Division (the "Bankruptcy Court"). The Chapter 11 Cases were assigned to the Honorable Cecelia G. Morris and are being jointly administered for procedural purposes only. None of our direct or indirect subsidiaries other than the four subsidiary Debtor Entities named above filed voluntary petitions for relief and are not debtors under Chapter 11 of the Bankruptcy Code and consequently, continue to operate their business in the ordinary course. Please read Note 3 Chapter 11 Cases for further discussion.

We are a wholly-owned subsidiary of Dynegy Inc. ("Dynegy") and we have historically been consolidated by Dynegy in its consolidated financial statements. However, as a result of the Chapter 11 Cases, on November 7, 2011, Dynegy was required to deconsolidate its investment in DH and Dynegy began accounting for its investment in DH as an equity method investment. These consolidated financial statements for the period from November 8, 2011 through December 31, 2011, the period during which DH was accounted for as an equity method investment by Dynegy, are being prepared pursuant to Securities and Exchange Commission Regulation S-X 3-09 for inclusion in Dynegy's Annual Report on Form 10-K for the year ended December 31, 2011.

**Going Concern.** Our accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business. However, continued low power prices over the past several years have had a significant adverse impact on our business and continue to negatively impact our projected future liquidity.

On November 7, 2011, DH had significant debt service requirements in connection with its outstanding notes and debentures, and there were significant payment obligations related to the

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**DYNEGY HOLDINGS, LLC**

**(A LIMITED LIABILITY COMPANY)**

**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 1 Organization and Operations (Continued)**

leasehold interests in the Danskammer and Roseton facilities. On November 7, 2011, the Debtor Entities filed the Chapter 11 Cases. None of our direct or indirect subsidiaries, other than the four subsidiary Debtor Entities named above, sought relief under Chapter 11 of the Bankruptcy Code, and none of those entities are debtors under Chapter 11 of the Bankruptcy Code. Please read Note 3 Chapter 11 Cases for further information.

Our ability to continue as a going concern is dependent on many factors, including, among other things, the generation by DPC of sufficient positive operating results to enable DPC to make certain restricted distributions to its parent (as described in Note 14 Debt), the terms and conditions of an approved plan of reorganization that allows us to emerge from bankruptcy (as described in Note 3 Chapter 11 Cases) and the related outcome of the Bondholder litigation (as described in Note 17 Commitments and Contingencies), execution of any further restructuring strategies, and the successful execution of the company-wide cost reduction initiatives that are ongoing. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the foregoing uncertainties.

**Accounting for Reorganization.** The accompanying consolidated financial statements have been prepared in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 852, Reorganizations, and on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, as a result of the Chapter 11 Cases, such realization of assets and satisfaction of liabilities are subject to a significant number of uncertainties. Our consolidated financial statements do not reflect adjustments that might be required if we (or the Debtor Entities) are unable to continue as a going concern. ASC 852 requires the following for the Debtor Entities:

Reclassification of unsecured or under-secured pre-petition liabilities to a separate line item in the balance sheet, which we have called Liabilities subject to compromise ("LSTC");

Non-accrual of interest expense for financial reporting purposes, to the extent not paid during bankruptcy and not expected to be an allowable claim. However, unpaid contractual interest is calculated for disclosure purposes;

Adjustment of the unamortized deferred financing costs and discounts/premiums associated with debt classified as LSTC to reflect the expected amount of the probable allowed claim. In order to reflect our debt classified as LSTC at the amount of the probable allowed claim, we wrote off approximately \$52 million of such items during the period from November 8, 2011 to December 31, 2011. These items are included in Bankruptcy reorganization charges on the consolidated statement of operations;

Segregation of bankruptcy reorganization charges (direct and incremental costs, such as professional fees, of bankruptcy) as a separate line item in the statement of operations outside of income from continuing operations;

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 1 Organization and Operations (Continued)**

Evaluation of actual or potential bankruptcy claims, which are not already reflected as a liability on the balance sheet, under ASC 450, Contingencies. Due to the close proximity of our bankruptcy filing date to our fiscal year-end date, we have been presented with only a limited number of significant claims meeting the ASC 450 criteria (probable and reasonably estimable) to be accrued at December 31, 2011. The most significant of these is an approximate \$300 million estimated allowed claim related to the termination value of the DNE Leases (as defined in Note 3 Chapter 11 Cases). If valid unrecorded claims meeting the ASC 450 criteria are presented to us in future periods, we will accrue for these amounts at the expected amount of the allowed claim rather than at the expected settlement amount; and

Disclosure of condensed combined financial information for the Debtor Entities, because our consolidated financial statements include material subsidiaries that did not file for bankruptcy protection. Please read Note 4 Condensed Combined Financial Statements of the Debtor Entities.

**Note 2 Summary of Significant Accounting Policies**

**Use of Estimates.** The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make informed estimates and judgments that affect our reported financial position and results of operations based on currently available information. We review significant estimates and judgments affecting our consolidated financial statements on a recurring basis and record the effect of any necessary adjustments. Uncertainties with respect to such estimates and judgments are inherent in the preparation of financial statements. Estimates and judgments are used in, among other things, (i) developing fair value assumptions, including estimates of future cash flows and discount rates, (ii) analyzing tangible and intangible assets for possible impairment, (iii) estimating the useful lives of our assets, (iv) assessing future tax exposure and the realization of deferred tax assets, (v) determining amounts to accrue for contingencies, guarantees, indemnifications and estimated allowed claims for pre-petition liabilities, and (vi) estimating various factors used to value our pension assets and liabilities. Actual results could differ materially from our estimates.

**Principles of Consolidation.** The accompanying consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries. Intercompany accounts and transactions have been eliminated.

**Cash and Cash Equivalents.** Cash and cash equivalents consist of all demand deposits and funds invested in highly liquid short-term investments with original maturities of three months or less.

**Restricted Cash and Investments.** Restricted cash and investments represent cash that is not readily available for general purpose cash needs. Restricted cash and investments are classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. We include all changes in restricted cash and investments in



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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

investing cash flows on the consolidated statement of cash flows. Please read Note 14 Debt Restricted Cash and Investments for further discussion.

**Accounts Receivable and Allowance for Doubtful Accounts.** We record accounts receivable at the net realizable value when the product or service is delivered to the customer. We establish provisions for losses on accounts receivable if it becomes probable we will not collect all or part of outstanding balances. We review collectability and establish or adjust our allowance as necessary. We primarily use a percent of balance methodology and methodologies involving historical levels of write-offs. The specific identification method is also used in certain circumstances.

**Unconsolidated Investments.** We use the equity method of accounting for investments in affiliates over which we exercise significant influence, generally occurring in ownership interests of 20 percent to 50 percent, and also occurring in lesser ownership percentages due to voting rights or other factors. Our share of net income (loss) from these affiliates is reflected in the consolidated statement of operations as earnings (losses) from unconsolidated investments. All investments in unconsolidated affiliates are periodically assessed for other-than-temporary declines in value, with write-downs recognized in earnings from unconsolidated investments in the consolidated statement of operations.

**Inventory.** Our natural gas, coal, emissions allowances and fuel oil inventories are carried at the lower of weighted average cost or market. Our materials and supplies inventory is carried at the lower of cost or market using the specific identification method. We use the average cost method to determine cost.

**Property, Plant and Equipment.** Property, plant and equipment, which consists principally of power generating facilities, including capitalized interest, is recorded at historical cost. Expenditures for major replacements, renewals and major maintenance are capitalized and depreciated over the expected maintenance cycle. We consider major maintenance to be expenditures incurred on a cyclical basis to maintain and prolong the efficient operation of our assets. Expenditures for repairs and minor renewals to maintain assets in operating condition are expensed. Depreciation is provided using the straight-line method over the estimated economic service lives of the assets, ranging from 3 to 40 years.

Composite depreciation rates (which we refer to as composite rates) are applied to functional groups of assets having similar economic characteristics. The estimated economic service lives of our functional asset groups are as follows:

Asset Group	Range of Years
Power generation facilities	7 to 40
Buildings and improvements	10 to 39
Office and miscellaneous equipment	3 to 20

Gains and losses on sales of individual assets or asset groups are reflected in operating profit (loss) in the consolidated statement of operations. We assess the carrying value of our property, plant and equipment to determine if an impairment is indicated when a triggering event occurs. If an impairment

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## DYNEGY HOLDINGS, LLC

(A LIMITED LIABILITY COMPANY)

## DEBTOR-IN-POSSESSION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(RESTATED)

**Note 2 Summary of Significant Accounting Policies (Continued)**

is indicated, the amount of the impairment loss recognized would be determined by the amount by which the book value exceeds the estimated fair value of the assets. The estimated fair value may include estimates based upon discounted cash-flow projections, recent comparable market transactions or quoted prices to determine if an impairment loss is required. For assets identified as held for sale, the book value is compared to the estimated sales price less costs to sell.

**Intangible Assets.** Intangible assets represent the fair value of assets, apart from goodwill, that arise from contractual rights or other legal rights. We record only those intangible assets that are distinctly separable from goodwill and can be sold, transferred, licensed, rented, or otherwise exchanged in the open market. Additionally, we recognize as intangible assets those assets that can be exchanged in combination with other rights, contracts, assets or liabilities.

We initially record and measure intangible assets based on the fair value of those rights transferred in the transaction in which the asset was acquired. Those measurements are based on quoted market prices for the asset, if available, or measurement techniques based on the best information available such as a present value of future cash flows. Present value measurement techniques involve judgments and estimates made by management about prices, cash flows, discount factors and other variables, and the actual value realized from those assets could vary materially from these judgments and estimates. We amortize our definite-lived intangible assets based on the useful life of the respective asset as measured by the life of the underlying contract or contracts. Intangible assets that are not subject to amortization are subjected to impairment testing on an annual basis or when a triggering event occurs, and an impairment loss is recognized if the carrying amount of an intangible asset exceeds its fair value.

**Asset Retirement Obligations.** We record the present value of our legal obligations to retire tangible, long-lived assets on our balance sheet as liabilities when the liability is incurred. Significant judgment is involved in estimating future cash flows associated with such obligations, as well as the ultimate timing of the cash flows. Our AROs relate to activities such as landfill capping, dismantlement of power generation facilities, future removal of asbestos containing material from certain power generation facilities, closure and post-closure costs, environmental testing, remediation, monitoring and land and equipment lease obligations. A summary of changes in our AROs is as follows (in millions):

Beginning of period, November 7, 2011	\$ 71
Accretion expense	1
Divestiture of assets	1
Revision of previous estimate (1)	(23)
End of period, December 31, 2011	\$ 50

(1)

During 2011, we revised our ARO obligation downward by \$20 million based on revised cost estimates related to remediation of asbestos. In addition, we revised our ARO obligation downward by \$3 million based on revised estimates of the cost to dismantle the South Bay facility.

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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

We may have additional potential retirement obligations for dismantlement of power generation facilities. With the exception of the South Bay facility, which is currently being dismantled, our current intent is to maintain these facilities in a manner such that they will be operated indefinitely. As a result, we cannot estimate any potential retirement obligations associated with these assets. Liabilities will be recorded at the time we are able to estimate these AROs.

**Contingencies, Commitments, Guarantees and Indemnifications.** We are involved in numerous lawsuits, claims, proceedings and tax-related audits in the normal course of our operations. We record a loss contingency for these matters when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We review our loss contingencies on an ongoing basis to ensure that we have appropriate reserves recorded on our consolidated balance sheet. These reserves are based on estimates and judgments made by management with respect to the likely outcome of these matters, including any applicable insurance coverage for litigation matters, and are adjusted as circumstances warrant. Our estimates and judgment could change based on new information, changes in laws or regulations, changes in management's plans or intentions, the outcome of legal proceedings, settlements or other factors. If different estimates and judgments were applied with respect to these matters, it is likely that reserves would be recorded for different amounts. Actual results could vary materially from these estimates and judgments.

Liabilities for environmental contingencies are recorded when an environmental assessment indicates that remedial efforts are probable and the costs can be reasonably estimated. Measurement of liabilities is based, in part, on relevant past experience, currently enacted laws and regulations, existing technology, site-specific costs and cost-sharing arrangements. Recognition of any joint and several liability is based upon our best estimate of our final pro-rata share of such liability.

These assumptions involve the judgments and estimates of management, and any changes in assumptions could lead to increases or decreases in our ultimate liability, with any such changes recognized immediately in earnings.

We disclose and account for various guarantees and indemnifications entered into during the course of business. When a guarantee or indemnification is entered into, an estimated fair value of the underlying guarantee or indemnification is recorded. Some guarantees and indemnifications could have significant financial impact under certain circumstances; however, management also considers the probability of such circumstances occurring when estimating the fair value. Actual results may materially differ from the estimated fair value of such guarantees and indemnifications.

**Revenue Recognition.** We earn revenue from our facilities in three primary ways: (i) the sale of both fuel and energy through both physical and financial transactions to optimize the financial performance of our generating facilities; (ii) sale of capacity; and (iii) sale of ancillary services, which are the products of a generation facility that support the transmission grid operation, allow generation to follow real-time changes in load, and provide emergency reserves for major changes to the balance of generation and load. We recognize revenue from these transactions when the product or service is

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**DYNEGY HOLDINGS, LLC**

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**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

delivered to a customer, unless they meet the definition of a derivative. Please read " Derivative Instruments Generation" for further discussion of the accounting for these types of transactions.

***Derivative Instruments Generation.*** We enter into commodity contracts that meet the definition of a derivative. These contracts are often entered into to mitigate or eliminate market and financial risks associated with our generation business. These contracts include forward contracts, which commit us to sell commodities in the future; futures contracts, which are generally exchange-traded standard commitments to purchase or sell a commodity; option contracts, which convey the right to buy or sell a commodity; and swap agreements, which require payments to or from counterparties based upon the differential between two prices for a predetermined quantity. There are three different ways to account for these types of contracts: (i) as an accrual contract, if the criteria for the "normal purchase normal sale" exception are met and documented; (ii) as a cash flow or fair value hedge, if the specified criteria are met and documented; or (iii) as a mark-to-market contract with changes in fair value recognized in current period earnings. All derivative commodity contracts that do not qualify for the normal purchase normal sale exception are recorded at fair value in risk management assets and liabilities on the consolidated balance sheet. If the derivative commodity contract has been designated as a cash flow hedge, the changes in fair value are recognized in earnings concurrent with the hedged item. Changes in the fair value of derivative commodity contracts that are not designated as cash flow hedges are recorded currently in earnings.

We execute a significant volume of transactions through futures clearing managers. Our daily cash payments (receipts) to (from) our futures clearing managers consist of three parts: (i) fair value of open positions (exclusive of options) ("Daily Cash Settlements"); (ii) initial margin requirements of open positions ("Initial Margin"); and (iii) fair value related to options ("Options", and collectively with Daily Cash Settlements and Initial Margin, "Collateral"). We do not offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement and we do not elect to offset the fair value amounts recognized for the Daily Cash Settlements paid or received against the fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. As a result, our consolidated balance sheet present derivative assets and liabilities, as well as related Collateral, as applicable, on a gross basis.

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**DYNEGY HOLDINGS, LLC**

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**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

**Derivative Instruments Financing Activities.** We are exposed to changes in interest rates through our variable and fixed rate debt. In order to manage our interest rate risk, we enter into interest rate swap agreements.

Cash inflows and cash outflows associated with the settlement of risk management activities are recognized in net cash provided by (used in) operating activities on the consolidated statement of cash flows.

**Fair Value Measurements.** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). However, we utilize a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical expedient for valuing the majority of our financial assets and liabilities measured and reported at fair value. Where appropriate, our estimate of fair value reflects the impact of our credit risk, our counterparties' credit risk and bid-ask spreads. We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We classify fair value balances based on the observability of those inputs. The inputs used to measure fair value have been placed in a hierarchy based on priority.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and U.S. government treasury securities.

Level 2 Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as over the counter forwards, options and repurchase agreements.

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**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to our needs as well as financial transmission rights. At each balance sheet date, we perform an analysis of all instruments and include in Level 3 all of those whose fair value is based on significant unobservable inputs.

The determination of the fair values incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of our nonperformance risk on our liabilities. Valuation adjustments are generally based on capital market implied ratings evidence when assessing the credit standing of our counterparties and when applicable, adjusted based on management's estimates of assumptions market participants would use in determining fair value.

Assets and liabilities from risk management activities may include exchange-traded derivative contracts and OTC derivative contracts. Some exchange-traded derivatives are valued using broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these exchange-traded derivatives are classified within Level 2. OTC derivative trading instruments include swaps, forwards, options and complex structures that are valued at fair value. In certain instances, these instruments may utilize models to measure fair value. Generally, we use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives trade in less active markets with a lower availability of pricing information. In addition, complex or structured transactions, such as heat-rate call options, can introduce the need for internally-developed model inputs that might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3.

In determining fair value for nonfinancial assets and liabilities measured at fair value on a nonrecurring basis, we use discounted cash-flow projections, recent comparable market transactions, if available, or quoted prices. We consider assumptions that third parties would make in estimating fair value, including the highest and best use of the asset. These fair values are categorized in Level 3.

**Income Taxes.** Our parent, Dynegy, files a consolidated U.S. federal income tax return and, for financial reporting purposes, accounts for income taxes using the asset and liability method, which requires that we use the asset and liability method of accounting for deferred income taxes and provide deferred income taxes for all significant temporary differences.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax payable and related tax expense together with assessing temporary

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**DYNEGY HOLDINGS, LLC**

**(A LIMITED LIABILITY COMPANY)**

**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

differences resulting from differing tax and accounting treatment of certain items, such as depreciation, for tax and accounting purposes. These differences can result in deferred tax assets and liabilities, which are included within our consolidated balance sheet.

We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized, we must establish a valuation allowance. We consider all available evidence, both positive and negative, to determine whether, based on the weight of the evidence, a valuation allowance is needed. Evidence used includes information about our current financial position and our results of operations for the current period, as well as all currently available information about future periods, anticipated future performance, the reversal of deferred tax liabilities and tax planning strategies.

We do not believe we will produce sufficient future taxable income, nor are there tax planning strategies available to realize the tax benefits from, net deferred tax assets not otherwise realized by reversing temporary differences. Therefore, a valuation allowance was recorded as of December 31, 2011. Any change in the valuation allowance would impact our income tax benefit (expense) and net income (loss) in the period in which the change occurs.

We are included in the consolidated federal and state income tax returns filed by Dynegy. Pursuant to provisions of the Internal Revenue Code Section 1502, pertaining to tax allocation arrangements, we record a receivable from Dynegy in an amount equal to the tax benefits realized in Dynegy's consolidated federal income tax return resulting from the utilization of our net operating losses and/or tax credits, or record a payable to Dynegy in an amount equal to the federal income tax computed on our separate company taxable income less the tax benefits associated with net operating losses and/or tax credits generated by us which are utilized in Dynegy's consolidated federal income tax return.

We recognize accrued interest expense and penalties related to unrecognized tax benefits as income tax expense.

Please read Note 16 Income Taxes for further discussion of our accounting for income taxes, uncertain tax positions and changes in our valuation allowance and Note 15 Related Party Transactions for discussion of our Tax Sharing Agreement.

***Accounting Principles Not Yet Adopted***

***Fair Value Measurement Disclosures.*** In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04 Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU No. 2011-04"). This authoritative guidance changes the wording used to describe the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The implementation of this guidance will not have a significant impact on our financial condition, results of operations or cash flows.

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**DYNEGY HOLDINGS, LLC**

**(A LIMITED LIABILITY COMPANY)**

**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 2 Summary of Significant Accounting Policies (Continued)**

**Presentation of Comprehensive Income.** In June 2011, the FASB issued ASU 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU No. 2011-05"). The FASB's objective in issuing this guidance is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. ASU No. 2011-05 eliminates the option of presenting components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect the implementation of this guidance to have a significant impact on our financial condition, results of operations or cash flows.

**Note 3 Chapter 11 Cases**

On November 7, 2011, the Debtor Entities commenced the Chapter 11 Cases. Other than DH and its four subsidiaries that are also Debtor Entities, none of our direct or indirect subsidiaries sought relief under Chapter 11 of the Bankruptcy Code, and none of those entities are debtors under Chapter 11 of the Bankruptcy Code. The Chapter 11 Cases have been assigned to the Honorable Cecelia G. Morris, and are being jointly administered for procedural purposes only under the caption "*In re: Dynegy Holdings, LLC et. al*" Case No. 11-38111. The Debtor Entities have remained in possession of their property and continue to operate their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

As noted above, DH and the Debtor Entities are the only entities that have filed the Chapter 11 Cases. Dynegy Gas Holdco, LLC and its indirect, wholly-owned subsidiaries, including DPC and all of its subsidiaries, are not included in the Chapter 11 Cases. The normal day-to-day operations of the natural gas-fired power generation facilities held by DPC have continued without interruption. The commencement of the Chapter 11 Cases did not constitute a default under the DPC Credit Agreement (as defined below).

In connection with the Chapter 11 Cases, on November 7, 2011, the Debtor Entities filed a motion with the Bankruptcy Court for authorization to reject the leases of the Roseton and Danskammer power generation facilities (the "DNE Leases"). On December 20, 2011, the Bankruptcy Court entered a stipulated order approving the rejection of such leases, as amended by a stipulated order entered by the Bankruptcy Court on December 28, 2011. As described more fully in Note 13 DNE Lease Termination Claims, the rejection damages claim of Resource Capital Management Corporation has been stipulated and allowed by the Bankruptcy Court in the amount of \$110 million; the Lease Indenture Trustee's rejection damages claim remains the subject of ongoing litigation. The Debtor Entities have remained in physical possession of and have continued to operate the leased facilities to the extent necessary to comply with applicable federal and state regulatory requirements until operational control of the facilities is permitted to be transitioned.



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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 3 Chapter 11 Cases (Continued)**

***Lease Indenture Trustee Contested Matters and Adversary Proceedings.*** On November 11, 2011, U.S. Bank National Association, in its capacity as Successor Lease Indenture Trustee (the "Lease Indenture Trustee") under the Indentures of Trust, Mortgage, Assignment of Leases and Rents and Security Agreement related to each facility commenced an adversary proceeding against Dynegy Danskammer, L.L.C., Dynegy Roseton, L.L.C and DH (Adversary Proceeding No. 11-09083) (the "Adversary Proceeding") seeking, among other things; a declaration that: (i) the Roseton and Danskammer leases are not leases of real property; (ii) the leases are financings, not leases; and (iii) notwithstanding the lease rejection claims, claims arising from DH's guaranty of certain lease obligations are not subject to a cap pursuant to section 502(b)(6) of the Bankruptcy Code. On January 6, 2012 the Lease Indenture Trustee filed an Amended Complaint in which it added an additional claim for relief, seeking, among other things, a determination of the allowed amount of the Lease Indenture Trustee's claims against Dynegy Danskammer, L.L.C., Dynegy Roseton, L.L.C., and DH.

On January 25, 2012, Dynegy Danskammer, L.L.C., Dynegy Roseton, L.L.C., and DH filed their Answer and Counterclaims to the Amended Complaint of the Lease Indenture Trustee asserting, among other things, that the leases are true leases and that such documents are leases of real property subject to section 502(b)(6) of the Bankruptcy Code. Pursuant to a scheduling order entered on January 30, 2012, the Bankruptcy Court has set a deadline of May 8, 2012 for filing summary judgment motions and June 11, 2012 for the commencement of a trial to the extent one is necessary.

On February 21, 2012, the Lease Indenture Trustee filed an answer to the counterclaims filed by Dynegy Danskammer, Dynegy Roseton and DH, and on February 27, 2012, the Lease Indenture Trustee filed a motion for judgment on the pleadings with respect to one issue: whether or not the Lease Indenture Trustee's claims are subject to the damages cap set forth in section 502(b)(6) of the Bankruptcy Code based on the Lease Indenture Trustee's contention that the Facility Leases concern personal, rather than real, property. The current date to respond to the Lease Indenture Trustee's motion is March 8, 2012, and the Lease Indenture Trustee has noticed a hearing on the motion for March 21, 2012.

On February 29, 2012, Dynegy Danskammer, Dynegy Roseton and DH filed their own motion for judgment on the pleadings, seeking rulings from the Court that: (i) the Lease Indenture Trustee's First Claim for Relief should be dismissed because the Facilities are real property under New York law; (ii) the Lease Indenture Trustee's Second Claim for Relief should be dismissed because the Lease Indenture Trustee cannot invoke the equitable remedy of recharacterization on the grounds that its effort to recharacterize the Facility Leases as financings is barred by the applicable Lease Indentures, and because recharacterization would be inequitable and contrary to the policies embodied in section 502(b)(6) of the Bankruptcy Code; (iii) the Lease Indenture Trustee's Third and Fourth Claims for Relief should be dismissed because section 502(b)(6) of the Bankruptcy Code applies to claims against guarantors of leases such as DH under the Lease Guarantees, and (iv) the Lease Indenture Trustee's Fifth Claim for Relief should be dismissed to the extent it seeks to recover more than the \$550.4 million (plus any allowable pre-petition interest) amount due to the Pass-Through Certificate Holders for whom the Lease Indenture Trustee acts under the Lease Indentures. The current date to

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respond to the motion for judgment on the pleadings filed by Dynegy Danskammer, Dynegy Roeseton and DH is March 8, 2012, and a hearing has been noticed on the motion for March 21, 2012.

On November 11, 2011, the Lease Indenture Trustee also filed a motion with the Bankruptcy Court seeking the appointment of the examiner. On December 29, 2011, the Bankruptcy Court entered an order directing the appointment of an examiner, which order provides, among other things, that the examiner will investigate (i) the Debtor Entities' conduct in connection with the prepetition 2011 restructuring and reorganization of the Debtor Entities and their non-Debtor affiliates, (ii) any possible fraudulent conveyances, and (iii) whether DH is capable of confirming a Chapter 11 plan.

Pursuant to the order approving the appointment of the examiner, the examiner's investigation is to run for a 60-day period beginning on the date of the appointment (subject to possible extension), at the end of which the examiner must file with the Court and provide to certain parties in interest a written report of his investigation, subject to certain restrictions. An examiner was appointed on January 12, 2012. We anticipate that the examiner will issue a written report describing his findings on or about March 9, 2012.

Also in connection with the Chapter 11 Cases, DH, as lender, and the other Debtor Entities, as borrowers, entered into a \$15 million Intercompany Revolving Loan Agreement that will be available to the borrowers for working capital and certain other administrative expenses during the Chapter 11 Cases.

**Financial Obligations.** The direct financial obligations of the Debtor Entities and obligations under their off-balance sheet arrangements, and the approximate principal amount of debt currently outstanding thereunder, include the following:

the following outstanding unsecured notes and debentures issued by DH: (i) 8.75 percent senior unsecured notes due February 15, 2012; (ii) 7.5 percent senior unsecured notes due June 1, 2015; (iii) 8.375 percent senior unsecured notes due May 1, 2016; (iv) 7.75 percent senior unsecured notes due June 1, 2019; (v) 7.125 percent senior debentures due May 15, 2018; and (vi) 7.625 percent senior debentures due October 15, 2026 (collectively, the "Senior Notes"), issued under the Indenture dated September 26, 1996, as amended and restated as of March 14, 2001, and under the First through Sixth Supplemental Indentures thereto, in the outstanding aggregate principal amount of approximately \$3,370 million;

DH's Series B 8.316 percent Subordinated Capital Income Securities payable to affiliates issued under the Indenture dated May 28, 1997, as amended and restated (the "Subordinated Notes"), in the outstanding aggregate principal amount of \$200 million;

DH's \$26 million cash collateralized letter of credit facility, which is collateralized by \$27 million of cash; and

Roeseton and Danskammer's sale-leaseback arrangements under which the rent payments paid by each of them are assigned to an indenture trustee for the respective facility. The indenture trustee then pays a portion of those payments to each of two pass-through trusts, and such



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pass-through trusts pay these amounts to holders of certificates in the pass-through trusts. The current total outstanding principal of the certificates is approximately \$550 million; however, we have estimated the expected allowed claim at \$300 million. Please read Note 13 Liabilities Subject to Compromise for further discussion.

As a result of the filing of the Chapter 11 Cases, we classified the Senior Notes and Subordinated Notes, and the estimated allowed claim related to the DNE Leases as Liabilities subject to compromise on our December 31, 2011 consolidated balance sheet. Please read Note 13 Liabilities Subject to Compromise for further discussion.

**Restructuring Support Agreements.** Prior to the commencement of the Chapter 11 Cases, DH and Dynegy reached an agreement with certain holders of more than \$1.4 billion of the Senior Notes and Subordinated Notes regarding a potential consensual restructuring (the "Restructuring") of over \$4.0 billion of obligations owed by DH. The principal terms of the Restructuring were evidenced by a restructuring support agreement and related term sheet, dated November 7, 2011, which was amended and restated on December 26, 2011 (as amended and restated, the "Noteholder Restructuring Support Agreement"), and entered into by and among Dynegy, DH and the holders of approximately \$1.8 billion of the Senior Notes and Subordinated Notes (the "Consenting Noteholders").

Pursuant to the Noteholder Restructuring Support Agreement, the Consenting Noteholders agreed, among other things, subject to the terms and conditions contained in the Noteholder Restructuring Support Agreement, to: (i) vote their claims under the Senior Notes and Subordinated Notes in favor of the Restructuring and not withdraw or revoke such vote, except as permitted under the Noteholder Restructuring Support Agreement; (ii) not object to the Restructuring; (iii) not initiate legal proceedings inconsistent with or that would prevent, frustrate, or delay the Restructuring; (iv) not solicit, support, formulate, entertain, encourage or engage in discussions or negotiations, or enter into any agreements relating to, any alternative restructuring; and (v) not solicit, encourage, or direct any person or entity, including the indenture trustee under the indenture for the Senior Notes or the indenture for the Subordinated Notes, to undertake any such action. Additionally, the Consenting Noteholders agreed not to transfer or assign their claims, except to parties who also agree to be bound by the Noteholder Restructuring Support Agreement, subject to certain exceptions. Subject to fiduciary duties, Dynegy and DH agree to use their reasonable best efforts to (i) support and complete the Restructuring, (ii) take all necessary and appropriate actions in furtherance of the Restructuring and the transactions related thereto, (iii) complete the Restructuring and all transactions related thereto within the time-frames outlined in the Noteholder Restructuring Support Agreement, (iv) obtain all required governmental, regulatory and/or third-party approvals for the Restructuring and (v) take no actions inconsistent with the Noteholder Restructuring Support Agreement or the confirmation and consummation of the Plan (as defined below).

The Noteholder Restructuring Support Agreement provides that it may be terminated by DH, Dynegy, or a majority of the Consenting Noteholders if (among other things): (i) the Bankruptcy Court has not entered an order approving the disclosure statement related to the Plan (as defined below) by

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March 15, 2012; (ii) the Bankruptcy Court has not entered an order confirming the Plan by June 15, 2012; or (iii) the Plan has not become effective by August 1, 2012.

In addition, on December 13, 2011, we entered into a binding term sheet with Resources Capital Management Corporation and certain of its affiliates and subsidiaries ("PSEG"), to settle and resolve all issues in lieu of further litigation, regarding, among other things, the Roseton and Danskammer leases and all of the parties' rights and claims arising under the related lease documents, including certain tax indemnity agreements, pursuant to which settlement, PSEG agreed to support the confirmation of the Debtor Entities' plan of reorganization, bringing the aggregate amount of claims agreeing to support the plan up to approximately \$1.9 billion.

**Plan of Reorganization.** On December 1, 2011, Dynegy and DH, as co-plan proponents filed a proposed Chapter 11 plan of reorganization and a related disclosure statement for DH with the Bankruptcy Court. On January 19, 2012, they filed a proposed amended plan and related disclosure statement and recently filed a second amended plan (the "Plan") and related disclosure statement (the "Disclosure Statement") with the Bankruptcy Court. The Amended Plan addresses claims against and interests in DH only and does not address claims against and interests in the other Debtor Entities.

The proposed Plan sets forth the material terms of the Restructuring pursuant to which unsecured claims of DH, including its outstanding Senior Notes, will be cancelled and exchanged for a combination of (i) \$1.015 billion aggregate principal amount of new secured notes ("New Secured Notes") of Dynegy (or a cash payment in lieu thereof), (ii) \$2.1 billion of convertible preferred stock of Dynegy (the "Preferred Stock") and (iii) \$400 million cash (plus an amount equal to all interest that would have been accrued on the New Secured Notes from the filing date of the Chapter 11 Cases). In addition, pursuant to the proposed Plan, it is a condition to the effective date of such plan (the "Effective Date") that the rejection damages arising from the rejection of the leases of the Roseton and Danskammer power generation facilities are determined in an amount not to exceed \$300 million (or \$190 million net of the claim of PSEG, which has already been allowed by the Bankruptcy Court in the amount of \$110 million), subject only to a potential waiver.

The New Secured Notes will pay cash interest at an 11 percent annual rate and have a seven year maturity. The New Secured Notes will have customary negative covenants restricting asset transfers, mergers, dividends, incurrence of debt and liens, restricted payments, sale and leaseback transactions, dividend and other payment restrictions and change of control (in each case, with certain agreed upon exceptions). The New Secured Notes will be secured by a first priority security interest in (subject to certain exceptions and permitted liens): (i) the assets of certain of Dynegy's and our direct and indirect wholly-owned subsidiaries (including a first priority security interest in and lien on a \$55 million debt service account) and (ii) the equity interests in certain of Dynegy's and our direct and indirect subsidiaries.

The aggregate principal amount of New Secured Notes and the cash component of the Restructuring payments are subject to certain adjustments as more fully set forth in the Plan. For example, the principal amount of New Secured Notes to be issued will be reduced (and the cash

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component increased) by specified amounts of excess cash at DH and its subsidiaries (other than the bankruptcy-remote entities that own DH's natural gas-fired power generation businesses) and may also be increased or decreased based on the amount of the aggregate claims arising from the rejection of the Roseton and Danskammer leases. Additionally, Dynegy may, in lieu of issuing any New Secured Notes, provide for a cash payment equal to the aggregate principal amount of New Secured Notes; provided that such cash payment is funded by debt on terms that, taken as a whole (and subject to certain exceptions), are no less favorable to Dynegy than the terms of the New Secured Notes.

The Preferred Stock will be Redeemable Convertible Preferred Shares, par value \$0.01 per share, issued by Dynegy and will accrue dividends, commencing on November 7, 2011, at an annual rate of 4 percent through December 31, 2013, 8 percent from January 1, 2014 through December 31, 2014, and 12 percent thereafter, compounding quarterly as set forth in the Designation of the Preferred Stock attached to the Plan (the "Stock Designation"). Dividends will not be paid in cash, but will accrue. The Preferred Stock will not be convertible at the option of the holder; but will automatically convert on December 31, 2015 or upon the occurrence of a Dynegy bankruptcy event. Based upon the capital structure of Dynegy anticipated to be in effect as of the Plan Effective Date, the Preferred Stock would be convertible into 97 percent of Dynegy's fully-diluted common stock (other than equity issued as compensation) on the terms set forth in the Stock Designation. The Preferred Stock may be redeemed by Dynegy in whole or in part, subject to certain limitations, as set forth in the Stock Designation, at an aggregate price (assuming redemption of all Preferred Stock outstanding as of the Effective Date) equal to: (i) \$1.95 billion if redeemed prior to May 8, 2013; (ii) \$2.0 billion if redeemed on or after May 8, 2013 through December 31, 2013; and (iii) \$2.1 billion if redeemed on or after January 1, 2014 through the mandatory conversion date, in each case, plus accrued and unpaid dividends; provided, that if Dynegy redeems less than all of the shares of Preferred Stock, the amounts set forth in clauses (i) and (ii) will be replaced with \$2.1 billion. Dynegy may only redeem less than all of the shares of Preferred Stock with the proceeds of a firm commitment, underwritten issuance of certain permitted stock that is entered into prior to December 31, 2014. The approval of holders of Preferred Stock will be required for certain actions by Dynegy including: making certain changes to the fundamental rights of the Preferred Stock; making certain changes to Dynegy's certificate of incorporation or bylaws that are adverse to the Preferred Stock; incurring certain indebtedness; disposing of certain assets; making certain investments; and engaging in certain merger or acquisition transactions. Dynegy and its Subsidiaries are restricted from entering into certain affiliate transactions subject to obtaining certain approval, and, for certain affiliate transactions, obtaining a fairness opinion. Dynegy may, without the consent of the holders of shares of Preferred Stock, issue and sell shares of certain permitted stock, subject to certain restrictions set forth in the Stock Designation and to the right of first offer of the holders of shares of Preferred Stock.

Pursuant to the proposed Plan, the holders of the Subordinated Notes would be entitled to participate in the Restructuring as unsecured note holders, but their recovery would be subject to enforcement of their contractual subordination to the Senior Notes. Alternatively, the subordinated note holders will be offered the opportunity to participate, without subordination, in the restructuring as unsecured note holders at \$0.35 for every dollar of claims.

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**Note 4 Condensed Combined Financial Statements of the Debtor Entities (Restated)**

Condensed combined financial statements of the Debtor Entities are set forth below (in millions).

**Condensed Combined Balance Sheet**  
**As of December 31, 2011**

Cash	\$ 33
Restricted cash and investments (including \$27 million current)	27
Accounts receivable	8
Inventory	34
Investment in consolidated subsidiaries	5,568
Accrued interest from affiliate	8
Undertaking receivable from affiliate	1,250
Deferred income taxes	44
Other	14
<b>Total assets</b>	<b>\$ 6,986</b>
<b>Current liabilities and accrued liabilities</b>	<b>\$ 10</b>
Deferred income taxes	50
Liabilities subject to compromise	4,012
Intercompany payable	1,587
Long-term debt to affiliates	1,262
Other	33
<b>Total liabilities</b>	<b>\$ 6,954</b>
<b>Total member's equity</b>	<b>\$ 32</b>
<b>Total liabilities and member's equity</b>	<b>\$ 6,986</b>

See Note 13 Liabilities Subject to Compromise for additional discussion of liabilities subject to compromise.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 4 Condensed Combined Financial Statements of the Debtor Entities (Restated) (Continued)**

**Condensed Combined Statement of Operations**  
**For the Period from November 8, 2011 to December 31, 2011**

Revenues	\$ 4
Cost of sales	4
Operating expenses	14
Operating loss	(14)
Bankruptcy reorganization charges	(666)
Equity losses	(82)
Interest expense, affiliate	(6)
Other income and expense, net	17
Income tax benefit	188
Net loss	\$ (563)

**Condensed Combined Statement of Cash Flows**  
**For the Period from November 8, 2011 to December 31, 2011**

Net cash provided by (used in):	
Operating activities	\$ 22
Investing activities	(1)
Financing activities	
Net increase in cash and cash equivalents	21
Cash and cash equivalents, beginning of period	12
Cash and cash equivalents, end of period	\$ 33

**Basis of Presentation.** The Condensed Combined Financial Statements only include the financial statements of the Debtor Entities. Transactions and balances of receivables and payables among the Debtor Entities are eliminated in consolidation. However, the Condensed Combined Balance Sheet includes receivables from related parties and payables to related parties that are not Debtor Entities. Actual settlement of these related party receivables and payables is, by historical practice, made on a net basis.

**Interest Expense.** The Debtor Entities have discontinued recording interest on unsecured or undersecured LSTC. Contractual interest on LSTC not reflected in the Condensed Combined Financial Statements was approximately \$44 million; representing interest expense from the bankruptcy filing on November 8, 2011 through December 31, 2011.

**Bankruptcy Reorganization Charges.** Bankruptcy reorganization charges represent the direct and incremental costs of bankruptcy, such as professional fees, pre-petition liability claim adjustments and losses related to terminated contracts that are probable and can be estimated. Bankruptcy





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**Note 4 Condensed Combined Financial Statements of the Debtor Entities (Restated) (Continued)**

reorganization charges, as shown in the Condensed Combined Statement of Operations above, consist of expense or income incurred or earned as a direct and incremental result of the bankruptcy filings. The table below lists the significant items within this category for the period from November 7, 2011 through December 31, 2011 (in millions).

Provision for allowable claims	\$ 300
Loss on rejection of DNE leases	311
Write-off of unamortized deferred financing costs and debt discounts	52
Professional fees	3
<b>Total Bankruptcy reorganization charges</b>	<b>\$ 666</b>

Provision for allowable claims primarily relates to our best estimate of the probable allowed claim associated with the DNE leases. For further discussion, please see Note 13 Liabilities Subject to Compromise DNE Lease Termination Claim.

Loss on rejection of DNE lease primarily relates to deferred rent that has accumulated over time as the historical lease payments exceeded the annual rent expense. Upon rejection of the lease, the amount of deferred rent was written off.

Write-off of unamortized deferred financing costs and debt discounts relate to our unsecured pre-petition debt, which has been reclassified to LSTC on the consolidated balance sheet following the Chapter 11 Filing on November 7, 2011. We wrote-off these amounts in order to reflect our unsecured pre-petition debt at the expected amount of the probable allowed claim.

Professional fees relate primarily to the fees of attorneys and consultants working directly on the bankruptcy filings and our plan of reorganization.

**Note 5 Risk Management Activities, Derivatives and Financial Instruments**

The nature of our business necessarily involves market and financial risks. Specifically, we are exposed to commodity price variability related to our power generation business. Our commercial team manages these commodity price risks with financially settled and other types of contracts consistent with our commodity risk management policy. Our commercial team also uses financial instruments in an attempt to capture the benefit of fluctuations in market prices in the geographic regions where our assets operate. Our treasury team manages our financial risks and exposures associated with interest expense variability.

Our commodity risk management strategy gives us the flexibility to sell energy and capacity through a combination of spot market sales and near-term contractual arrangements (generally over a rolling 1 to 3 year time frame). Our commodity risk management goal is to protect cash flow in the near-term while keeping the ability to capture value longer-term. Increasing collateral requirements and our liquidity position could impact our ability to effectively employ our risk management strategy.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 5 Risk Management Activities, Derivatives and Financial Instruments (Continued)**

Many of our contractual arrangements are derivative instruments and must be accounted for at fair value. We also manage commodity price risk by entering into capacity forward sales arrangements, tolling arrangements, RMR contracts, fixed price coal purchases and other arrangements that do not receive fair value accounting treatment because these arrangements do not meet the definition of a derivative or are designated as "normal purchase normal sales". As a result, the gains and losses with respect to these arrangements are not reflected in the consolidated statement of operations until the settlement dates.

***Quantitative Disclosures Related to Financial Instruments and Derivatives***

The following disclosures and tables present information concerning the impact of derivative instruments on our consolidated balance sheet and statement of operations. In the table below, commodity contracts primarily consist of derivative contracts related to our power generation business that we have not designated as accounting hedges, which are entered into for purposes of economically hedging future fuel requirements and sales commitments and securing commodity prices. Interest rate contracts primarily consist of derivative contracts related to managing our interest rate risk. As of December 31, 2011, our commodity derivatives were comprised of both long and short positions; a long position is a contract to purchase a commodity, while a short position is a contract to sell a commodity. As of December 31, 2011, we had net long/(short) commodity derivative contracts outstanding and notional interest rate swaps outstanding in the following quantities:

Contract Type	Hedge Designation	Quantity (in millions)	Unit of Measure	Net Fair Value (in millions)
Commodity derivative contracts:				
Electric energy(1)	Not designated	(18)	MW	\$ 65
Electric energy, affiliates	Not designated	2	MW	\$ (5)
Natural gas(1)	Not designated	306	MMBtu	\$ (220)
Other(2)	Not designated	15	Misc.	\$ (16)
Interest rate contracts:				
Interest rate swaps	Not designated	788	Dollars	\$ (8)
Interest rate caps	Not designated	900	Dollars	\$ 2

(1) Mainly comprised of swaps, options and physical forwards.

(2) Comprised of coal, crude oil, fuel oil options, electricity spread options, natural gas spread options, swaps and physical forwards.

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**Note 5 Risk Management Activities, Derivatives and Financial Instruments (Continued)**

***Derivatives on the Balance Sheet.*** The following table presents the fair value and balance sheet classification of derivatives in the consolidated balance sheet as of December 31, 2011, segregated between designated, qualifying hedging instruments and those that are not, and by type of contract segregated by assets and liabilities.

Contract Type	Balance Sheet Location	December 31, 2011
<b>Derivatives designated as hedging instruments:</b>		
Derivative Assets:		
Interest rate contracts	Assets from risk management activities	\$
Derivative Liabilities:		
Interest rate contracts	Liabilities from risk management activities	
Total derivatives designated as hedging instruments, net		
<b>Derivatives not designated as hedging instruments:</b>		
Derivative Assets:		
Commodity contracts	Assets from risk management activities	2,639
Commodity contracts, affiliates	Assets from risk management activities, affiliates	2
Interest rate contracts	Assets from risk management activities	2
Derivative Liabilities:		
Commodity contracts	Liabilities from risk management activities	(2,810)
Commodity contracts, affiliates	Liabilities from risk management activities, affiliates	(7)
Interest rate contracts	Liabilities from risk management activities	(8)
Total derivatives not designated as hedging instruments, net		
		(182)
Total derivatives, net		\$ (182)

***Impact of Derivatives on the Consolidated Statement of Operations***

The following discussion and tables present the disclosure of the location and amount of gains and losses on derivative instruments in our consolidated statement of operations for the period from November 8, 2011 through December 31, 2011, segregated between designated, qualifying hedging instruments and those that are not, by type of contract. We had no derivatives that were designated in qualifying hedging relationships during this period.

***Financial Instruments Not Designated as Hedges.*** We elect not to designate derivatives related to our power generation business and certain interest rate instruments as cash flow or fair value hedges.

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**Note 5 Risk Management Activities, Derivatives and Financial Instruments (Continued)**

Thus, we account for changes in the fair value of these derivatives within the consolidated statement of operations (herein referred to as "mark-to-market accounting treatment"). As a result, these mark-to-market gains and losses are not reflected in the consolidated statement of operations in the same period as the underlying activity for which the derivative instruments serve as economic hedges.

For the period from November 8, 2011 through December 31, 2011, our revenues included approximately \$46 million of mark-to-market losses related to this activity.

The impact of derivative financial instruments that have not been designated as hedges on our consolidated statement of operations for the period from November 8, 2011 through December 31, 2011 is presented below. Note that this presentation does not reflect the expected gains or losses arising from the underlying physical transactions or interest payments associated with these financial instruments. Therefore, this presentation is not indicative of the economic results we expect to realize when the underlying physical transactions settle and interest payments are made.

<b>Derivatives Not Designated as Hedging Instruments</b>	<b>Location of Gain (Loss) Recognized in Income on Derivatives</b>	<b>Amount of All Gain (Loss) Recognized in Income on Derivatives for the Period from November 8, 2011 through December 31, 2011</b>
		<b>(in millions)</b>
Commodity contracts	Revenues	\$ (86)
Commodity contracts with affiliates	Revenues	19
Interest rate contracts	Interest expense	(7)

**Note 6 Fair Value Measurements**

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2011. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to

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**Note 6 Fair Value Measurements (Continued)**

the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets:</b>				
Assets from commodity risk management activities:				
Electricity derivatives	\$	\$ 211	\$ 26	\$ 237
Electricity derivatives, affiliates		1	1	2
Natural gas derivatives		2,387		2,387
Other derivatives		15		15
<b>Total assets from commodity risk management activities</b>	<b>\$</b>	<b>\$ 2,614</b>	<b>\$ 27</b>	<b>\$ 2,641</b>
Assets from interest rate swaps			2	2
<b>Total</b>	<b>\$</b>	<b>\$ 2,614</b>	<b>\$ 29</b>	<b>\$ 2,643</b>
<b>Liabilities:</b>				
Liabilities from commodity risk management activities:				
Electricity derivatives	\$	\$ (169)	\$ (2)	\$ (171)
Electricity derivatives, affiliates		(2)	(5)	(7)
Natural gas derivatives		(2,607)		(2,607)
Heat rate derivatives			(17)	(17)
Other derivatives		(15)		(15)
<b>Total liabilities from commodity risk management activities</b>	<b>\$</b>	<b>\$ (2,793)</b>	<b>\$ (24)</b>	<b>\$ (2,817)</b>
Liabilities from interest rate swaps			(8)	(8)
<b>Total</b>	<b>\$</b>	<b>\$ (2,793)</b>	<b>\$ (32)</b>	<b>\$ (2,825)</b>

We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. For example, assets and liabilities from risk management activities may include exchange-traded derivative contracts and OTC derivative contracts. Some exchange-traded derivatives are valued using broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these exchange-traded derivatives are classified within Level 2. OTC derivative trading instruments include swaps, forwards, options and complex structures that are valued at fair value. In certain instances, these instruments may utilize models to measure fair value. Generally, we use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives trade in less active markets with a lower availability of pricing information. In addition, complex or structured transactions, such as heat-rate call options, can introduce the need for internally-developed model inputs that might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair



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**(A LIMITED LIABILITY COMPANY)**  
**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 6 Fair Value Measurements (Continued)**

value, the instrument is categorized in Level 3. We have consistently used this valuation technique for all periods presented. Please read Note 2 Summary of Significant Accounting Policies Fair Value Measurements for further discussion.

The following tables set forth a reconciliation of changes in the fair value of financial instruments classified as Level 3 in the fair value hierarchy:

	For the Period from November 7, 2011 through December 31, 2011				
	Electricity Derivatives	Natural Gas Derivatives	Heat Rate Derivatives	Interest Rate Swaps	Total
	(in millions)				
Balance at November 7, 2011	\$ 28	\$	\$ (17)	\$ 1	\$ 12
Realized and unrealized gains, net of affiliates	(1)		(3)	(7)	(11)
Settlements	(7)		3		(4)
Balance at December 31, 2011	\$ 20	\$	\$ (17)	\$ (6)	\$ (3)
Unrealized gains (losses) relating to instruments (net of affiliates) still held as of December 31, 2011	\$ 9	\$ (4)	\$ (7)	\$ (6)	\$ (8)

Gains and losses (realized and unrealized) for Level 3 recurring items are included in Revenues on the consolidated statement of operations. We believe an analysis of instruments classified as Level 3 should be undertaken with the understanding that these items generally serve as economic hedges of our power generation portfolio.

Transfers in and/or out of Level 3 represent existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the period. Transfers in and/or out of Level 3 are valued at the end of the period.

We had approximately \$23 million of Collateral as of December 31, 2011 included in Broker margin account on our consolidated balance sheet. Substantially all of our derivative positions with our derivative counterparties are supported by letters of credit, cash and short-term investment collateral postings or a first priority lien on certain of our assets. We do not consider letters of credit, unless they are fully cash collateralized, in our valuation of our derivative liabilities, as they are third-party credit enhancements.

**Fair Value of Financial Instruments.** We have determined the estimated fair-value amounts using available market information and selected valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

The carrying values of financial assets and liabilities (cash, accounts receivable, short-term investments and accounts payable), not presented in the table below, approximate fair values due to the short-term maturities of these instruments. The fair value of debt as reflected in the table has been calculated based on the average of certain available broker quotes for the periods ending December 31,



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 6 Fair Value Measurements (Continued)**

2011. The fair value of the undertaking receivable, affiliate was determined based on estimated cash flows that Dynegy expects to generate from its coal segment based on a weighting of unlevered and levered discounted cash flows methodologies. These methodologies estimate the value of an asset or business by calculating the present value of expected future cash flows using a market participant's expected weighted average cost of capital (discount rate). The projections of Dynegy's coal segment's estimated future operating results were based on discrete financial forecasts developed by Dynegy's management for planning purposes. In the levered discounted cash flows methodology, the future operating results were also based on discrete financial forecasts developed by Dynegy's management for planning purposes, but with the inclusion of the related term loan interest and principal payments. This methodology estimates the fair value of the future cash flows from Dynegy's coal segment by calculating the present value of expected future cash flows using a discount rate that reflects a market participant's expected equity discount rate. Please read Note 15 Related Party Transactions DMG Transfer and Undertaking Agreement for further discussion regarding the undertaking receivable.

	<b>December 31, 2011</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>
Undertaking receivable, affiliate (1)	\$ 1,250	\$ 728
Interest rate derivatives not designated as accounting hedges (2)	(6)	(6)
Commodity-based derivative contracts not designated as accounting hedges, net of affiliates (2)	(176)	(176)
DPC Credit Agreement due 2016 (3)	(1,076)	(1,118)

- (1) The fair value of \$728 million for the Undertaking receivable, affiliate represents the \$750 million fair value of the Undertaking prepared as of November 7, 2011 less the \$22 million payment made in December 2011. An updated estimate of fair value was not performed at December 31, 2011 because management believed that it was not practicable given the thorough valuation prepared within two months of the balance sheet date. The fair value of the Undertaking receivable, affiliate can be impacted by variability in commodity pricing underlying the valuation analysis and changes in strategy, among other things.
- (2) Included in both current and non-current assets and liabilities on the consolidated balance sheet.
- (3) Includes unamortized discounts of \$21 million at December 31, 2011.

**Concentration of Credit Risk.** We sell our energy products and services to customers in the electric and natural gas distribution industries, financial institutions and to entities engaged in industrial businesses. These industry concentrations have the potential to impact our overall exposure to credit risk, either positively or negatively, because the customer base may be similarly affected by changes in economic, industry, weather or other conditions.

At December 31, 2011, our credit exposure as it relates to the mark-to-market portion of our risk management portfolio totaled \$30 million. We seek to reduce our credit exposure by executing agreements that permit us to offset receivables, payables and mark-to-market exposure. We attempt to

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 6 Fair Value Measurements (Continued)**

further reduce credit risk with certain counterparties by obtaining third party guarantees or collateral as well as the right of termination in the event of default.

Our Credit Department, based on guidelines approved by Dynegy's Board of Directors, establishes our counterparty credit limits. Our industry typically operates under negotiated credit lines for physical delivery and financial contracts. Our credit risk system provides current credit exposure to counterparties on a daily basis.

We enter into master netting agreements in an attempt to both mitigate credit exposure and reduce collateral requirements. In general, the agreements include our risk management subsidiaries and allow the aggregation of credit exposure, margin and set-off. As a result, we decrease a potential credit loss arising from a counterparty default.

We include cash collateral deposited with counterparties in Broker margin account and Prepayments and other current assets on our consolidated balance sheet. As of December 31, 2011, we had \$44 million posted with these counterparties, which is included in Prepayments and other current assets on our consolidated balance sheet. We include cash collateral received from counterparties in Accrued liabilities and other current liabilities on our consolidated balance sheet.

**Note 7 Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss, net of tax, is included in our statement of changes in member's equity as follows:

	December 31, 2011 (in millions)
Cash flow hedging activities, net	\$ 1
Unrecognized prior service cost and actuarial loss	
Accumulated other comprehensive loss, net of tax	\$ 1

**Note 8 Cash Flow Information**

Following are supplemental disclosures of cash flow and non-cash investing and financing information for the period from November 8, 2011 through December 31, 2011 (in millions):

Interest paid (net of amount capitalized)	\$ 16
Other non-cash investing and financing activity:	
Non-cash capital expenditures	\$ (3)
Other affiliate activity with Dynegy (1)	25

(1)

Represents transactions with Dynegy in the normal course of business, primarily the reallocation of deferred taxes between legal entities in accordance with applicable IRS regulations.

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During the period from November 8, 2011 through December 31, 2011, cash flow from operating activities included \$1 million in payments to professional advisors related to reorganization costs. There were no investing or financing cash flows related to reorganization items during the period from November 8, 2011 through December 31, 2011.

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**DYNEGY HOLDINGS, LLC**  
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**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 9 Inventory**

A summary of our inventories is as follows:

	December 31, 2011 (in millions)
Materials and supplies	\$ 40
Coal	16
Fuel oil	8
Emissions allowances	1
	\$ 65

There were no lower of cost or market adjustments recorded during the period from November 8, 2011 through December 31, 2011.

**Note 10 Property, Plant and Equipment**

A summary of our property, plant and equipment is as follows:

	December 31, 2011 (in millions)
Generation assets:	
Gas	\$ 3,532
DNE	268
IT systems and other	111
	3,911
Accumulated depreciation	(1,090)
	\$ 2,821

**Note 11 Unconsolidated Investments*****Equity Method Investments***

Equity method investments consist of investments in affiliates that we do not control, but where we have significant influence over operations.

***Black Mountain.*** We hold a 50 percent ownership interest in Black Mountain, an 85 MW power generation facility in Las Vegas, Nevada. At December 31, 2011, the value of this investment was zero.



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**DYNEGY HOLDINGS, LLC**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 12 Intangible Assets**

A summary of changes in our intangible assets is as follows:

	LS Power	Sithe	Total
	(in millions)		
November 7, 2011	\$ 3	\$ 145	\$ 148
Amortization expense		(7)	(7)
December 31, 2011	\$ 3	\$ 138	\$ 141

**LS Power.** Previously, in connection with the purchase of certain power generation facilities and related contracts from LS Power, we recorded intangible assets related to power tolling agreements that were amortized over their respective contract terms of 6 months to 7 years. The amortization expense is being recognized in Revenue in our consolidated statement of operations where we record the revenues received from the contract. The estimated amortization expense for each of the next five succeeding years is less than \$1 million.

**Sithe.** Pursuant to our acquisition of Sithe Energies in February 2005, we recorded intangible assets which related to a firm capacity sales agreement between Sithe Independence Power Partners and Con Edison, a subsidiary of Consolidated Edison, Inc. That contract provides Independence the right to sell 740 MW of capacity until 2014 at fixed prices that are currently above the prevailing market price of capacity for the New York Rest of State market. This asset will be amortized on a straight-line basis over the remaining life of the contract through October 2014. The amortization expense is being recognized in Revenue in our consolidated statement of operations where we record the revenues received from the contract. The annual amortization of the intangible asset for the remaining life of the contract is expected to approximate \$50 million, \$50 million and \$38 million in 2012, 2013 and 2014, respectively. Accordingly, approximately \$50 million is reflected in Prepayments and other current assets on our consolidated balance sheet.

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**DYNEGY HOLDINGS, LLC**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 13 Liabilities Subject to Compromise**

A summary of our LSTC as of December 31, 2011 is as follows (in millions):

DNE lease termination claim	\$ 300
Senior Notes:	
8.75 percent due 2012	88
7.5 percent due 2015	785
8.375 percent due 2016	1,047
7.125 percent due 2018	175
7.75 percent due 2019	1,100
7.625 percent due 2026	175
Subordinated Debentures payable to affiliates, 8.316 percent, due 2027	200
Interest accrued on Senior Notes and Subordinated Debentures as of November 7, 2011	132
Note payable, affiliate	10
 Total Liabilities subject to compromise	 \$ 4,012

***DNE Lease Termination Claim.*** In the first quarter 2001, we acquired the Roseton and Danskammer power generation facilities. These facilities consist of a combination of baseload, intermediate and peaking facilities aggregating approximately 1,700 MW. The facilities are approximately 50 miles north of New York City and were acquired for approximately \$903 million cash, plus inventory and certain working capital adjustments. In May 2001, two of our subsidiaries completed a sale-leaseback transaction to provide term financing for the DNE facilities. Under the terms of the sale-leaseback transaction, our subsidiaries sold plants and equipment and agreed to lease them back for terms expiring within 34 years, exclusive of renewal options.

As further described in Note 3 Chapter 11 Cases, in connection with the Chapter 11 Cases, on November 7, 2011, the Debtor Entities filed a motion with the Bankruptcy Court for authorization to reject the Roseton and Danskammer leases. On December 20, 2011, the Bankruptcy Court entered a stipulated order approving the rejection of such leases, as amended by a stipulated order entered by the Bankruptcy Court on December 28, 2011. The Debtor Entities have remained in physical possession of and have continued to operate the leased facilities as "debtors-in-possession" to the extent necessary to comply with applicable federal and state regulatory requirements until operational control of the facilities is permitted to be transitioned.

We have estimated the fair value of the allowed claims at DH arising from the lease rejection to be \$300 million (or \$190 million net of the claim of PSEG which has already been allowed by the Bankruptcy Court in the amount of \$110 million). Our estimate of the fair value of the obligations arising from the rejection of the Roseton and Danskammer leases considered various scenarios and projected outcomes including, among other things, our view that the Lease Indenture Trustee's allowed claim should be capped pursuant to Section 502(b)(6) of the Bankruptcy Code which governs claims arising from the rejection of leases of nonresidential real property. As discussed above, the Lease Indenture Trustee is seeking allowance of the lease claims in the amount of approximately \$900 million,

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**DYNEGY HOLDINGS, LLC**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 13 Liabilities Subject to Compromise (Continued)**

however we believe that such lease claims (exclusive of PSEG's \$110 million allowed claim) are in fact significantly lower given the application of any one or more of the following factors, among others: (i) the claims are, as stated, subject to the cap established in section 502(b)(6) of the Code, (ii) the Lease Indenture Trustee cannot recover in excess of approximately \$550 million, including any recoveries they may receive as a result of their primary claims against the two lessee entities, (iii) the Lease Indenture Trustee has significant other sources of recovery on its lease rejection damages claim and (iv) certain aspects of its claim have already been resolved by the Court and released by the relevant counterparties. The Plan Proponents have estimated the lease claims (exclusive of the TIA Claim) at \$190 million to reflect our belief that the aggregate amount of such allowed claims (including PSEG's \$110 million allowed claim) will not exceed \$300 million, which is the maximum amount in which such claims may be allowed for the Plan to become effective (subject only to the potential waiver of such condition precedent to consummation of the Plan by the Plan Proponents to allow such claims in an amount up to \$400 million (or \$290 million net of PSEG's \$110 million allowed claim) or the Plan Proponents and the Consenting Noteholders, collectively, to allow such claims in an amount in excess of \$400 million (or \$290 million net of PSEG's \$110 million allowed claim). However, as indicated herein, the allowed amounts of the lease claims are the subject of litigation, the outcome of which is inherently uncertain, and therefore may be significantly higher or lower.

**Senior Notes and Debentures.** In general, our Senior Notes are senior unsecured obligations and rank equal in right of payment to all of our existing and future senior unsecured indebtedness, and are senior to all of our existing and any of our future subordinated indebtedness. They are not redeemable at our option prior to maturity. Dynegy did not guarantee the Senior Notes, and the assets that we own do not secure the Senior Notes. None of our subsidiaries have guaranteed the Senior Notes and, as a result, all of the existing and future liabilities of our subsidiaries are effectively senior to the Senior Notes.

**Subordinated Debentures.** In May 1997, NGC Corporation Capital Trust I ("Trust") issued, in a private transaction, \$200 million aggregate liquidation amount of 8.316 percent Subordinated Capital Income Securities ("SCIS") representing preferred undivided beneficial interests in the assets of the Trust. The Trust invested the proceeds from the issuance of the SCIS in an equivalent amount of our 8.316 percent Subordinated Debentures ("Subordinated Debentures"). The sole assets of the Trust are the Subordinated Debentures. The SCIS are subject to mandatory redemption in whole, but not in part, on June 1, 2027, upon payment of the Subordinated Debentures at maturity, or in whole, but not in part, at any time, contemporaneously with the optional prepayment of the Subordinated Debentures, as allowed by the associated indenture. The Subordinated Debentures are redeemable, at our option, at specified redemption prices. The Subordinated Debentures represent our unsecured obligations and rank subordinate and junior in right of payment to all of our senior indebtedness to the extent and in the manner set forth in the associated indenture. We have irrevocably and unconditionally guaranteed, on a subordinated basis, payment for the benefit of the holders of the SCIS the obligations of the Trust to the extent the Trust has funds legally available for distribution to the holders of the Trust Securities. Since the Trust is considered a VIE, and the holders of the SCIS absorb a majority of the Trust's



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**DYNEGY HOLDINGS, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 13 Liabilities Subject to Compromise (Continued)**

expected losses, our obligation is represented by the Subordinated Debentures payable to the deconsolidated Trust.

We may defer payment of interest on the Subordinated Debentures as described in the indenture, and we deferred our \$8 million June 2011 payment of interest. As of December 31, 2011, the redemption amount associated with these securities totaled \$200 million.

*Note payable, affiliate.* On August 5, 2011, Dynegy Coal Holdco, LLC made a loan to DH of \$10 million with a maturity of 3 years and an interest rate of 9.25 percent per annum.

**Note 14 Debt**

A summary of our long-term debt is as follows:

	December 31, 2011	
	Carrying Amount	Fair Value
	(in millions)	
DPC Credit Agreement, due 2016	\$ 1,097	\$ 1,118
Unamortized premium (discount) on debt, net		(21)
	1,076	
Less: Amounts due within one year, including non-cash amortization of basis adjustments		7
<b>Total Long-Term Debt</b>	<b>\$ 1,069</b>	

Aggregate maturities of the principal amounts of all long-term indebtedness as of December 31, 2011 are as follows: 2013 \$7 million, 2014 \$6, 2015 \$6 million, 2016 \$1,050 million and thereafter zero.

***DPC Credit Agreement***

In August 2011, DPC entered into a \$1,100 million senior secured term loan (the "DPC Credit Agreement"). The DPC Credit Agreement is a senior secured term loan facility with an aggregate principal amount of \$1,100 million, which was borrowed in a single drawing on the closing date. Amounts borrowed under the DPC Credit Agreement that are repaid or prepaid may not be re-borrowed. The DPC Credit Agreement will mature on August 5, 2016 and will amortize in equal quarterly installments in aggregate annual amounts equal to 1.00 percent of the original principal amount of the DPC Credit Agreement with the balance payable on the fifth anniversary of the closing date.

The proceeds of the borrowing under the DPC Credit Agreement were used by DPC to (i) repay an intercompany obligation of a DPC subsidiary to DH and to repay certain outstanding indebtedness under DH's previous Fifth Amended and Restated Credit Agreement, which was terminated in August

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**DYNEGY HOLDINGS, LLC**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 14 Debt (Continued)**

2011, (ii) fund cash collateralized letters of credit and provide cash collateral for existing and future collateral requirements, (iii) repay approximately \$192 million of debt relating to Sithe Energies, Inc. (the intermediate project holding company that indirectly holds the Independence facility in New York), (iv) make a \$200 million restricted payment to a parent holding company of DPC, (v) pay related transaction fees and expenses and (vi) fund additional cash to the balance sheet to provide the DPC asset portfolio with liquidity for general working capital and liquidity purposes.

All obligations of DPC under (i) the DPC Credit Agreement (the "DPC Borrower Obligations") and (ii) at the election of DPC, (x) cash management arrangements and (y) interest rate protection, commodity trading or hedging or other permitted hedging or swap arrangements (the "Hedging/Cash Management Arrangements") are unconditionally guaranteed jointly and severally on a senior secured basis (the "DPC Guarantees") by each existing and subsequently acquired or organized direct or indirect material domestic subsidiary of DPC (the "DPC Guarantors"), in each case, as otherwise permitted by applicable law, regulation and contractual provision and to the extent such guarantee would not result in adverse tax consequences as reasonably determined by DPC. None of DPC's parent companies are obligated to repay the DPC Borrower Obligations.

The DPC Borrower Obligations, the DPC Guarantees and any Hedging/Cash Management Arrangements are secured by first priority liens on and security interests in 100 percent of the capital stock of DPC (as discussed below) and substantially all of the present and after-acquired assets of DPC and each DPC Guarantor (collectively, the "DPC Collateral"). Accordingly, such assets are only available for the creditors of Dynegy Gas Investments Holdings, LLC and its subsidiaries. DPC has restricted consolidated net assets of approximately \$1,813 million, as of December 31, 2011.

**Interest Costs.** The DPC Credit Agreement bears interest, at DPC's option, at either (a) 7.75 percent per annum plus LIBOR, subject to a LIBOR floor of 1.50 percent, with respect to any Eurodollar term loan or (b) 6.75 percent per annum plus the alternate base rate with respect to any ABR term loan. DPC may elect from time to time to convert all or a portion of the term loan from any ABR Borrowing into a Eurodollar Borrowing or vice versa. With some exceptions, amounts outstanding under the DPC Credit Agreement are non-callable for the first two years and is subject to a prepayment premium.

On October 19, 2011, DPC entered into a variety of transactions to hedge interest rate risks associated with the DPC Credit Agreement. DPC entered into LIBOR interest rate caps at 2 percent with a notional value of \$900 million through October 31, 2013. DPC also entered into LIBOR interest rate swaps with a notional value of \$788 million commencing on November 1, 2013 through August 5, 2016. The notional value of the swaps decreases over time, reaching \$744 million at the end of the term. These instruments, which meet the definition of a derivative, have not been designated as accounting hedges and are accounted for at fair value.

**Prepayment Provisions.** The DPC Credit Agreement contains mandatory prepayment provisions. The outstanding loan under the DPC Credit Agreement is to be prepaid with (a) 100 percent of the net cash proceeds of all asset sales by DPC and its subsidiaries, subject to the right of DPC to reinvest

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**DYNEGY HOLDINGS, LLC**

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**DEBTOR-IN-POSSESSION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 14 Debt (Continued)**

such proceeds if such proceeds are reinvested (or committed to be reinvested) within 12 months and, if so committed to reinvestment, reinvested within six months after such initial 12 month period, (b) 50 percent of the net cash proceeds of issuance of equity securities of DPC and its subsidiaries (except to the extent used for permitted capital expenditures), (c) commencing with the first full fiscal year of DPC to occur after the closing date, 100 percent of excess cash flow; provided that (i) excess cash flow shall be determined after reduction for amounts used for capital expenditures and restricted payments and (ii) any voluntary prepayments of the term loans shall be credited against excess cash flow prepayment obligations, and (d) 100 percent of the net cash proceeds of issuances, offerings or placements of debt obligations of DPC and its subsidiaries (other than all permitted debt). Notwithstanding the above, the proceeds of a sale of up to 20 percent of the membership interests in DPC are not required to be used to prepay the outstanding loan under the DPC Credit Agreement.

***Covenants and Events of Default.*** The DPC Credit Agreement contains customary events of default and affirmative and negative covenants including, subject to certain specified exceptions, limitations on amendments to constitutive documents, liens, capital expenditures, acquisitions, subsidiaries and joint ventures, investments, the incurrence of debt, fundamental changes, asset sales, sale-leaseback transactions, hedging arrangements, restricted payments, changes in nature of business, transactions with affiliates, burdensome agreements, amendments of debt and other material agreements, accounting changes and prepayment of indebtedness or repurchases of equity interests.

The DPC Credit Agreement contains a requirement that DPC shall establish and maintain a segregated account (the "DPC Collateral Posting Account"), into which a specified collateral posting amount shall be deposited. DPC may withdraw amounts from the DPC Collateral Posting Account: (i) for the purpose of meeting collateral posting requirements of DPC and the DPC Guarantors; (ii) to prepay the term loan under the DPC Credit Agreement; (iii) to repay certain other permitted indebtedness; and (iv) to the extent any excess amounts are determined to be in the DPC Collateral Posting Account.

The DPC Credit Agreement limits distributions to \$135 million per year provided the borrower and its subsidiaries possess at least \$50 million of unrestricted cash and short-term investments as of the date of the proposed distribution.

***Letter of Credit Facilities***

In August 2011, DPC entered into two fully cash collateralized Letter of Credit Reimbursement and Collateral Agreements aggregating \$515 million pursuant to which letters of credit will be issued at DPC's request provided that DPC deposits in an account an amount of cash sufficient to cover the face value of such requested letter of credit plus an additional percentage thereof.

In August 2011, DH entered into a \$26 million fully cash collateralized Letter of Credit Reimbursement and Collateral Agreement pursuant to which letters of credit will be issued at DH's request provided that DH deposits in an account an amount of cash sufficient to cover the face value of such requested letter of credit plus an additional percentage thereof.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 14 Debt (Continued)**

*Contingent LC Facility*

On May 21, 2010, DH executed a new \$150 million unsecured bilateral contingent letter of credit facility ("Contingent LC Facility") with Morgan Stanley Capital Group Inc. to provide DH access to liquidity to support collateral posting requirements. Availability under the Contingent LC Facility is tied to increases in 2012 forward spark spreads and power prices. A facility fee will accrue on the unutilized portion of the facility at an annual rate of 0.60 percent and letter of credit availability fees will accrue at an annual rate of 7.25 percent. The facility will mature on December 31, 2012. No amounts were available under this facility at December 31, 2011. The Contingent LC Facility is a pre-petition obligation of DH and DH is not currently paying any facility or availability fees related to the Contingent LC Facility. DH's status as a Debtor Entity may further limit availability pursuant to certain conditions and default events specified in the Contingent LC Facility.

*Restricted Cash and Investments*

The following table depicts our restricted cash and investments:

	<b>December 31, 2011</b>
	<b>(in millions)</b>
DPC LC facilities(1)	\$ 455
DH LC facility(1)	27
DPC Collateral Posting Account(2)	132
 Total restricted cash and investments	 \$ 614

(1) Includes cash posted to support the letter of credit reimbursement and collateral agreements described above. Please read note LC Facilities above for further discussion.

(2) Amounts are restricted and may be used for future collateral posting requirements or released per the terms of the applicable DPC Credit Agreements.

**Note 15 Related Party Transactions**

The following table summarizes the Accounts receivable, affiliates, and Accounts payable, affiliates, on our consolidated balance sheet as of December 31, 2011 and cash received (paid) during the period

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 15 Related Party Transactions (Continued)**

from November 8, 2011 through December 31, 2011 related to various agreements with Dynegy, as discussed below:

	Accounts Receivable, Affiliates	Accounts Payable, Affiliates	Cash Received (Paid)
(in millions)			
Service Agreements	\$ 4	\$ 6	\$ (16)
EMA Agreements	22	41	1
<b>Total</b>	<b>\$ 26</b>	<b>\$ 47</b>	<b>\$ (15)</b>

**Service Agreements.** Dynegy and certain of our subsidiaries (collectively, the "Providers") provide certain services (the "Services") to Dynegy Coal Investments Holdings, LLC ("DCIH") and certain of its subsidiaries, and certain of our subsidiaries (collectively, the "Recipients"). Service Agreements between Dynegy and the Recipients, which were entered into in connection with the Reorganization, govern the terms under which such Services are provided.

The Providers act as agents for the Recipients for the limited purpose of providing the Services set forth in the Service Agreement. The Providers may perform additional services at the request of the Recipients, and will be reimbursed for all costs and expenses related to such additional services. Prior to the beginning of each fiscal year in which Services are to be provided pursuant to the Service Agreement, the Providers and the Recipients must agree on a budget for the Services, outlining, among other items, the contemplated scope of the Services to be provided in the following fiscal year and the cost of providing each Service. The Recipients will pay the Providers an annual management fee as agreed in the budget, which shall include reimbursement of out-of pocket costs and expenses related to the provision of the Services and will provide reasonable assistance, such as information, services and materials, to the Providers. We incurred expenses with the Providers which was offset by income recorded for the services that were provided. Therefore, there is no impact of the Services Agreement on our consolidated statement of operations for the year period from November 8, 2011 through December 31, 2011.

**Energy Management Agreements.** Certain of our subsidiaries have entered into an Energy Management Agency Services Agreement (an "EMA") with Dynegy Midwest Generation, LLC ("DMG"), a subsidiary of Dynegy, Inc. Pursuant to the EMA, our subsidiaries will provide power management services to DMG, consisting of marketing power and capacity, capturing pricing arbitrage, scheduling dispatch of power, communicating with the applicable ISOs or RTOs, purchasing replacement power, and reconciling and settling ISO or RTO invoices. In addition, certain of our subsidiaries will provide fuel management services, consisting of procuring the requisite quantities of fuel and emissions credits, assisting with transportation, scheduling delivery of fuel, assisting DMG with development and implementation of fuel procurement strategies, marketing and selling excess fuel and assisting with the evaluation of present and long-term fuel purchase and transportation options. Our subsidiaries will also assist DMG with risk management by entering into one or more risk management

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**(RESTATED)**

**Note 15 Related Party Transactions (Continued)**

transactions, the purpose of which is to set the price or value any commodity or to mitigate or offset any change in the price or value of any commodity. Our subsidiaries may from time to time provide other services as the parties may agree. Our consolidated statement of operations includes \$33 million from sales to affiliates, which is reflected in Revenues, and \$96 million in purchases from affiliates, which is reflected in Costs of sales, for the period from November 8, 2011 through December 31, 2011. This activity is presented net within revenue along with the related third party sales and purchases as DH's consolidated subsidiaries are in substance acting as agent for the affiliates. Also, please read Note 5 Risk Management Activities, Derivatives and Financial Instruments for derivative balances with affiliates.

**Tax Sharing Agreement.** Under U.S. federal income tax law, Dynegy is responsible for the tax liabilities of its subsidiaries, because Dynegy files consolidated income tax returns, which will necessarily include the income and business activities of the ring-fenced entities and Dynegy's other affiliates. To properly allocate taxes among Dynegy and each of its entities, Dynegy and certain of its entities, including us and our subsidiaries, have entered into a Tax Sharing Agreement under which Dynegy agrees to prepare consolidated returns on behalf of itself and its entities and make all required payments to relevant revenue collection authorities as required by law. Additionally, DPC agreed to make payments to Dynegy of the tax amounts for which DPC and its respective subsidiaries would have been liable if such subsidiaries began business on the restructuring date (August 5, 2011) and were eligible to, and elected to, file a consolidated return on a stand-alone basis beginning on the restructuring date. Further, each of Dynegy GasCo Holdings, LLC, Dynegy Gas Holdco, LLC, and Dynegy Gas Investments Holdings, LLC, agreed to make payments to Dynegy of amounts representing the tax that each such subsidiary would have paid if each began business on the restructuring date and filed a separate corporate income tax return (excluding from income any subsidiary distributions) on a stand-alone basis beginning on the restructuring date.

**Cash Management.** Certain of our subsidiaries are "bankruptcy remote." In addition, certain of our subsidiaries are organized into ring-fenced groups. The special purpose bankruptcy remote entities entered into limited liability company operating agreements, which contain certain restrictions including not allowing the "bankruptcy remote" or "ring-fenced" companies to act as an agent for a non ring-fenced company. Furthermore, bankruptcy remote and ring-fenced companies are required to present themselves to the public as separate entities. They maintain separate books, records and bank accounts and separately appoint officers. Additionally, they pay liabilities from their own funds, they conduct business in their own names (other than any business relating to the trading activities of us and our subsidiaries), they observe a higher level of formalities, and they have restrictions on pledging their assets for the benefit of certain other persons.

Our ring-fenced entities maintain cash accounts separate from those of our non-ring-fenced entities. As such, cash collected by a ring-fenced entity is not swept into accounts held in the name of any non-ring-fenced entity and cash collected by a non-ring-fenced entity is not swept into accounts held in the name of any ring-fenced entity. The cash in deposit accounts owned by a ring-fenced entity is not used to pay the debts and/or operating expenses of any non-ring-fenced entity, and the cash in

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**Note 15 Related Party Transactions (Continued)**

deposit accounts owned by a non-ring-fenced entity is not used to pay the debts and/or operating expenses of any ring-fenced entity. There were no material payments during the period from November 8, 2011 through December 31, 2011 related to the Cash Management Agreement.

***DMG Transfer and Undertaking Agreement.*** On September 1, 2011, Dynegy and Dynegy Gas Investments, LLC ("DGIN"), a subsidiary of DH, entered into a Membership Interest Purchase Agreement pursuant to which DGIN transferred 100 percent of its outstanding membership interests in Coal HoldCo, wholly owned subsidiary of DGIN, to Dynegy (the "DMG Transfer"). Dynegy's management and Board of Directors, as well as DGIN's board of managers, concluded that the fair value of the acquired equity stake in Coal HoldCo at the time of the transaction was approximately \$1.25 billion, after taking into account all debt obligations of DMG, including in particular the DMG Credit Agreement. Dynegy provided this value to DGIN in exchange for Coal HoldCo through its obligation, pursuant to an unsecured Undertaking Agreement (the "Undertaking Agreement"), to make certain specified payments over time which coincide in timing and amount with the payments of principal and interest that we are obligated to make under a portion of our \$1.1 billion of 7.75 percent senior unsecured notes due 2019 and our \$175 million of 7.625 percent senior debentures due 2026. The Undertaking Agreement does not provide any rights or obligations with respect to any of our outstanding notes or debentures, including the notes and debentures due in 2019 and 2026. When Dynegy's management and Board of Directors, as well as DGIN's board of managers, valued the acquired equity stake of Coal HoldCo, they considered many factors, including a valuation range prepared by our financial advisor. Our financial advisor recently informed us that in preparing its valuation range of such equity stake, a mathematical error may have resulted in its valuation range being understated by \$100 million. We are continuing to investigate and determine the implications, if any, of this new information.

Immediately after closing the DMG Transfer, DGIN assigned its right to receive payments under the Undertaking Agreement to us in exchange for a promissory note (the "Promissory Note") in the amount of \$1.25 billion that matures in 2027 (the "Assignment"). Dynegy's obligations under the Promissory Note will be reduced if the outstanding principal amount of any of our \$3.5 billion of outstanding notes and debentures is decreased as a result of any exchange offer, tender offer or other purchase or repayment by Dynegy or its subsidiaries (other than us and our subsidiaries, unless Dynegy guarantees the debt securities of us or such subsidiary in connection with such exchange offer, tender offer or other purchase or repayment); provided, that such principal amount is retired, cancelled or otherwise forgiven.

During the period from November 8, 2011 through December 31, 2011, we recognized \$14 million in interest income related to the Undertaking agreement which is included in Other income and expense, net, in our consolidated statement of operations. In addition, we received payments totaling \$22 million from Dynegy in December 2011 related to the Undertaking.

***Note payable, affiliate.*** On August 5, 2011, Dynegy Coal Holdco, LLC made a loan to DH of \$10 million with a maturity of 3 years and an interest rate of 9.25 percent per annum.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 15 Related Party Transactions (Continued)**

**Accounts receivable, affiliate.** We have historically recorded intercompany transactions in the ordinary course of business, including the reallocation of deferred taxes between legal entities in accordance with applicable IRS regulations. As a result of such transactions, we have recorded and adjusted over time an affiliate receivable balance in the amount of \$846 million. This receivable is classified within equity as there are no defined payment terms, it is not evidenced by any promissory note, and there was never an intent for payment to occur. The creditors' committee contends that we may possess a cause of action against Dynegy for payment of the intercompany receivable. By letter dated February 29, 2012, the creditors' committee made demand on us to pursue a cause of action against Dynegy for payment of the intercompany receivable or, alternatively, requesting that we agree that the creditors' committee may commence and prosecute such action (the "Demand Letter"). The creditors' committee contends that if we decline to pursue such action, the creditors' committee will seek standing from the Bankruptcy Court to bring an action on behalf of our estate. We do not believe that a valid and enforceable right of payment of the intercompany amount exists and, accordingly, we believe that it would be a waste of valuable estate resources to pursue litigation seeking repayment of the intercompany receivable. Accordingly, we intend to formally respond to, and dispute, the Demand Letter and oppose any effort by the creditors' committee to seek standing to bring an action on behalf of our estate.

**Employee benefits.** Our employees participate in the pension plans of our parent, Dynegy Inc. Please read Note 18 Employee Compensation, Savings and Pension Plans for further discussion.

**Note 16 Income Taxes (Restated)**

**Income Tax Expense.** Our loss from continuing operations before income taxes was \$751 million which was solely from domestic sources.

Our income tax benefit related to loss from continuing operations was \$188 million for the period from November 8, 2011 through December 31, 2011.

Our income tax benefit related to loss from continuing operations for the period from November 8, 2011 through December 31, 2011 was equivalent to an effective rate of 25 percent. Differences between taxes computed at the U.S. federal statutory rate and our reported income tax benefit for the period from November 8, 2011 through December 31, 2011 were as follows (in millions):

Expected tax benefit at U.S. statutory rate (35%)	\$ 263
State taxes	15
Permanent differences	(2)
Valuation allowance	(96)
Other	8
Income tax benefit	\$ 188



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 16 Income Taxes (Restated) (Continued)**

*Deferred Tax Liabilities and Assets.* Our significant components of deferred tax assets and liabilities as of December 31, 2011 were as follows (in millions):

<b>Current:</b>	
Deferred tax assets:	
Reserves (legal, environmental and other)	\$ 3
Miscellaneous book/tax recognition differences	17
<b>Subtotal</b>	<b>20</b>
Less: valuation allowance	(10)
<b>Total current deferred tax assets</b>	<b>10</b>
Deferred tax liabilities:	
Miscellaneous book/tax recognition differences	(60)
<b>Total current deferred tax liabilities</b>	<b>(60)</b>
<b>Net deferred tax asset (liability)</b>	<b>(50)</b>
<b>Non-current:</b>	
Deferred tax assets:	
NOL carryforwards	510
AMT credit carryforwards	
Reserves (legal, environmental and other)	2
Other comprehensive income	6
Deferred intercompany loss	486
Power contracts	229
<b>Subtotal</b>	<b>1,233</b>
Less: valuation allowance	(663)
<b>Total non-current deferred tax assets</b>	<b>570</b>
Deferred tax liabilities:	
Depreciation and other property differences	(526)
<b>Total non-current deferred tax liabilities</b>	<b>(526)</b>
<b>Net deferred tax liability</b>	<b>\$ (6)</b>

*NOL Carryforwards.* At December 31, 2011, we had approximately \$1,227 million of regular federal tax NOL carryforwards and \$1,975 million of AMT NOL carryforwards. The federal and AMT NOL carryforwards will expire beginning in 2027 and 2024, respectively. As a result of the application of certain provisions of the Internal Revenue Code, we incurred an ownership change in May 2007 that placed an annual limitation on our ability to utilize certain tax carryforwards, including our NOL carryforwards. We do not expect that the ownership

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change will have any impact on our future tax liability. We do not believe we will produce sufficient future taxable income, nor are there tax planning strategies available, to utilize existing tax attributes, including the federal and AMT NOL carryforwards;

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 16 Income Taxes (Restated) (Continued)**

therefore, a valuation allowance of \$673 million was recorded as of December 31, 2011, for the amount of tax benefits represented by Federal and AMT NOL carryforwards not otherwise realized by reversing temporary differences.

At December 31, 2011, state NOL carryforwards totaled \$1,635 million.

**Change in Valuation Allowance.** Realization of our deferred tax assets is dependent upon, among other things, our ability to generate taxable income of the appropriate character in the future. At December 31, 2011, valuation allowances related to federal and state NOL carryforwards and credits have been established. Additionally, at December 31, 2011, our temporary differences were on a net deferred tax assets position. We do not believe we will produce sufficient future taxable income, nor are there tax planning strategies available, to realize the tax benefits of our net deferred tax assets associated with temporary differences. Accordingly, we have recorded a full valuation allowance against the temporary differences.

The changes in the valuation allowance by attribute were as follows:

	State NOL Carryforwards and Credits	Federal NOL Carryforwards and Deferred Tax Assets (in millions)	Temporary Differences	Total
Balance as of November 7, 2011	\$ (82)	\$ (344)	\$ (151)	\$ (577)
Changes in valuation allowance continuing operations	(23)	(86)	13	(96)
Balance as of December 31, 2011	\$ (105)	\$ (430)	\$ (138)	\$ (673)

**Unrecognized Tax Benefits.** We are included in Dynegy Inc.'s consolidated income tax return in the U.S. federal jurisdiction, and Dynegy Inc. files income tax returns in various states. Dynegy Inc. is no longer subject to U.S. federal income tax examinations for the years prior to 2009, and with few exceptions, is no longer subject to state and local examinations prior to 2007. Dynegy Inc. is no longer subject to non-U.S. income tax examinations. Dynegy Inc.'s federal income tax returns are routinely audited by the IRS, and provisions are routinely made in the financial statements in anticipation of the results of these audits. During the period from November 8, 2011 through December 31, 2011, we did not finalize any audits with the IRS.

As of December 31, 2011, approximately \$4 million of unrecognized tax benefits would impact our effective tax rate if recognized.

The changes to our unrecognized tax benefits during the period from November 8, 2011 through December 31, 2011 primarily resulted from changes in various federal and state audits and positions. The adjustments to our reserves for uncertain tax positions as a result of these changes had an insignificant impact on our net income.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 16 Income Taxes (Restated) (Continued)**

During the period from November 8, 2011 through December 31, 2011 we recognized less than \$1 million in interest and penalties. We had approximately \$2 million accrued for the payment of interest and penalties at December 31, 2011.

We expect that our unrecognized tax benefits could continue to change due to the settlement of audits and the expiration of statutes of limitation in the next twelve months; however, we do not anticipate any such change to have a significant impact on our results of operations, financial position or cash flows in the next twelve months.

**Note 17 Commitments and Contingencies**

***Legal Proceedings***

Set forth below is a summary of our material ongoing legal proceedings. Pursuant to the requirements of FASB ASC 450 and related guidance, we record accruals for estimated losses from contingencies when available information indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is reasonably possible. In all instances, management has assessed the matters below based on current information and made judgments concerning their potential outcome, giving consideration to the nature of the claim, the amount, if any, and nature of damages sought and the probability of success. Management regularly reviews all new information with respect to each such contingency and adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties including unfavorable rulings or developments, it is possible that the ultimate resolution of our legal proceedings could involve amounts that are different from our currently recorded accruals and that such differences could be material.

In addition to the matters discussed below, we are party to other routine proceedings arising in the ordinary course of business or related to discontinued business operations. Any accruals or estimated losses related to these matters are not material. In management's judgment, the ultimate resolution of these matters will not have a material effect on our financial condition, results of operations or cash flows.

***Bondholder Litigation.*** On September 21, 2011, an ad-hoc group of bondholders (the "Avenue Plaintiffs") of DH filed a complaint in the Supreme Court of the State of New York, County of New York, captioned *Avenue Investments, L.P. et al v. Dynegy Inc., Dynegy Holdings, LLC, Dynegy Gas Investments, LLC, Clint C. Freeland, Kevin T. Howell and Robert C. Flexon* (Index No. 652599/11) ("Avenue Investments Matter"). The Avenue Plaintiffs challenge the September 2011 DMG Transfer. On September 27, 2011, the successor indenture trustees under the Roseton and Danskammer Indenture Agreements (the "Indenture Trustee Plaintiffs") filed a complaint in the Supreme Court of the State of New York, captioned *The Successor Lease Indenture Trustee et al v. Dynegy Inc., Dynegy Holdings, LLC, Dynegy Gas Investments, LLC, E. Hunter Harrison, Thomas W. Elward, Michael J. Embler, Robert C. Flexon, Vincent J. Intrieri, Samuel Merksamer, Felix Pardo, Clint C. Freeland, Kevin T. Howell, John Doe 1, John Doe 2, John Doe 3, Etc.* (Index No. 652642/2011). The Indenture Trustee

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 17 Commitments and Contingencies (Continued)**

Plaintiffs similarly challenge the DMG Transfer. Plaintiffs in both actions allege, among other claims, breach of contract, breach of fiduciary duties, and violations of prohibitions on fraudulent transfers in connection with the DMG Transfer and also seek to have the DMG Transfer set aside, and request unspecified damages as well as attorneys' fees. We filed motions to dismiss the actions on October 31, 2011. On November 7, 2011, Dynegy, DH and the Consenting Noteholders (as defined in Note 3 Chapter 11 Cases) agreed to enter into a stipulation that suspends the prosecution of the Consenting Noteholders' claims in the Avenue Investments Matter.

On November 4, 2011, the owner-lessors of the Danskammer and Roseton facilities (the "Owner Lessor Plaintiffs") filed a lawsuit in NY state court, captioned *Resources Capital Management Corp., Roseton OL, LLC and Danskammer OL, LLC, v. Dynegy Inc., Dynegy Holdings, Inc., Dynegy Holdings, LLC, Dynegy Gas Investments, LLC, Thomas W. Elward, Michael J. Embler, Robert C. Flexon, E. Hunter Harrison, Vincent J. Intrieri, Samuel J. Merksamer, Felix Pardo, Clint. C. Freeland, Kevin T. Howell, Icahn Capital LP, and Seneca Capital Advisors, LLC*, alleging, among other claims, that the Reorganization, the DPC and DMG Credit Agreements, and the DMG Transfer constitute an integrated scheme involving fraudulent transfers, breach of contract, and breach of fiduciary duties, and seek a judgment to unwind all the transactions. Please read Note 3 Chapter 11 Cases for further information regarding the bankruptcy proceeding and claims asserted by the Lease Indenture Trustee.

On November 21, 2011, the defendants filed in each action a Notice of Filing of Bankruptcy Petition and of the Automatic Stay, which provided, among other things, that (i) "pursuant to section 362(a) of the Bankruptcy Code, this lawsuit is stayed in its entirety, as to all claims and all defendants (the "Automatic Stay")," and (ii) "actions taken in violation of the Automatic Stay are void and may subject the person or entity taking such actions to the imposition of sanctions by the Bankruptcy Court. In addition, on November 21, 2011, the defendants filed two stipulations in the Avenue Litigation and a stipulation in the Trustee Litigation, pursuant to which the parties agreed, among other things, (i) to stay or take no action in the Lawsuits, including the pending motions to dismiss, until further application, and (ii) to reserve all rights and/or arguments with respect to the scope or effect of the Automatic Stay. Please read Note 3 Chapter 11 Cases for further discussion.

We believe the plaintiffs' complaints in all three lawsuits lack merit and we will continue to oppose their claims vigorously.

**Gas Index Pricing Litigation.** We, several of our affiliates, our former joint venture affiliate and other energy companies were named as defendants in numerous lawsuits in state and federal court claiming damages resulting from alleged price manipulation and false reporting of natural gas prices to various index publications in the 2000-2002 timeframe. Many of the cases have been resolved. All of the remaining cases contain similar claims that individually, and in conjunction with other energy companies, we engaged in an illegal scheme to inflate natural gas prices in four states by providing false information to natural gas index publications. In November 2009, following defendants' motion for reconsideration, the court invited defendants to renew their motions for summary judgment on preemption of plaintiffs' state law claims, which were filed shortly thereafter. Plaintiffs concurrently

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**Note 17 Commitments and Contingencies (Continued)**

moved to amend their complaints to add federal claims. In October 2010, the court denied plaintiffs' motion to amend.

On July 18, 2011, the Court granted defendants' motions for summary judgment, thereby dismissing all of plaintiffs' state law claims. Plaintiffs are appealing the decision to the Ninth Circuit Court of Appeals.

*Native Village of Kivalina and City of Kivalina v. ExxonMobil Corporation, et al.* In February 2008, the Native Village of Kivalina and the City of Kivalina, Alaska initiated an action in federal court in the Northern District of California against DH and 23 other companies in the energy industry. Plaintiffs claim that defendants' emissions of GHG including CO<sub>2</sub> contribute to climate change and have caused significant damage to a native Alaskan Eskimo village through increased vulnerability to waves, storm surges and erosion. In September 2009, the court dismissed all of the plaintiffs' claims based on lack of subject matter jurisdiction and because plaintiffs lacked standing to bring the suit. Shortly thereafter, plaintiffs appealed to the Ninth Circuit. In February 2011, the Ninth Circuit issued an order staying the scheduling of oral argument until the United States Supreme Court's ruling in *AEP v. Connecticut* ("*AEP*"). On June 20, 2011, the Supreme Court issued its decision in *AEP*. The Court was equally divided by a vote of 4-4 on the question of whether the plaintiffs had standing to bring the suit and, therefore, affirmed the court's exercise of jurisdiction. On the merits the Court ruled by a vote of 8-0 that the CAA and EPA action authorized by the Act displace any federal common law right to seek abatement of carbon dioxide emissions from fossil fuel-fired power plants. The Court did not reach the issue of whether the CAA preempts similar claims under state nuisance law. The Ninth Circuit held oral argument in *Kivalina* on November 28, 2011. However, on February 2, 2012, the parties filed a joint motion to dismiss with prejudice DH as a defendant in the case due to the bankruptcy petition filed by DH in the Chapter 11 Cases.

***Other Commitments and Contingencies***

In conducting our operations, we have routinely entered into long-term commodity purchase and sale commitments, as well as agreements that commit future cash flow to the lease or acquisition of assets used in our businesses. These commitments have been typically associated with commodity supply arrangements, capital projects, reservation charges associated with firm transmission, transportation, storage and leases for office space, equipment, plant sites, power generation assets and LPG vessel charters. The following describes the more significant commitments outstanding at December 31, 2011.

***Cooling Water Intake Permits.*** The cooling water intake structures at several of our power generation facilities are regulated under Section 316(b) of the Clean Water Act. This provision generally provides that standards set for power generation facilities require that the location, design, construction and capacity of cooling water intake structures reflect the BTA for minimizing adverse environmental impact. These standards are developed and implemented for power generating facilities through the NPDES permits or individual SPDES permits on a case-by-case basis.

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**Note 17 Commitments and Contingencies (Continued)**

The environmental groups that participate in our NPDES and SPDES permit proceedings generally argue that only closed cycle cooling meets the BTA requirement. The issuance and renewal of NPDES or SPDES permits for three of our power generation facilities (Danskammer, Roseton and Moss Landing) have been challenged on this basis. The Danskammer SPDES permit, which was renewed and issued in June 2006, does not require installation of a closed cycle cooling system; however, it does require aquatic organism mortality reductions resulting from NYSDEC's determination of BTA requirements under its regulations. All appeals of this permit have been exhausted. The Moss Landing NPDES permit, which was issued in 2000, does not require closed cycle cooling and was challenged by a local environmental group. In August 2011, the Supreme Court of California affirmed the appellate court's decision upholding the permit. One permit challenge is still pending.

**Roseton SPDES Permit** In April 2005, the NYSDEC issued a Draft SPDES Permit renewal for the Roseton plant. The permit is opposed by environmental groups challenging the BTA determination. In October 2006, various holdings in the administrative law judge's ruling admitting the environmental group petitioners to party status and setting forth the issues to be adjudicated in the permit renewal hearing were appealed to the Commissioner of NYSDEC by the petitioners, NYSDEC staff and us. The permit renewal hearing will be scheduled after the Commissioner rules on those appeals. We believe that the petitioners' claims lack merit and we have opposed those claims vigorously. In connection with the Chapter 11 Cases, the Debtor Entities have rejected the leases at the Roseton and Danskammer power generation facilities. The Debtor Entities have remained in physical possession of and have continued to operate the leased facilities to the extent necessary to comply with the applicable federal and state regulators requirements until operational control of the facilities is permitted to be transitioned.

Other future NPDES or SPDES proceedings could have a material effect on our financial condition, results of operations and cash flows; however, given the numerous variables and factors involved in calculating the potential costs associated with installing a closed cycle cooling system, any decision to install such a system at any of our facilities would be made on a case-by-case basis considering all relevant factors at such time. If capital expenditures related to cooling water systems are great enough to render the operation of the plant uneconomical, we could, at our option, and subject to any applicable financing agreements or other obligations, reduce operations or cease to operate that facility and forego the capital expenditures.

**Purchase Obligations.** We have firm capacity payments related to transportation of natural gas. Such arrangements are routinely used in the physical movement and storage of energy. The total of such obligations was \$257 million as of December 31, 2011.

**Coal Commitments.** At December 31, 2011, we had contracts in place to supply coal to various of Dynegy's generation facilities with minimum commitments of \$449 million and are related to the purchase of coal through 2015. Most of the coal purchased under these contracts is sold to DMG, an affiliate, through a separate requirements contract.

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**Note 17 Commitments and Contingencies (Continued)**

***VLGC Charter Agreements.*** One of our subsidiaries is party to two charter party agreements relating to two VLGCs previously utilized in our former global liquids business. The aggregate minimum base commitments of the charter party agreements are approximately \$18 million for 2012 and approximately \$23 million in aggregate for the period from 2013 through lease expiration. The charter party rates payable under the two charter party agreements vary in accordance with market-based rates for similar shipping services. The \$18 million and \$23 million amounts set forth above are based on the minimum obligations set forth in the two charter party agreements. The primary terms of the charter party agreements expire September 2013 and September 2014, respectively. Both VLGCs have been sub-chartered to a wholly-owned subsidiary of Transammonia Inc. The terms of the sub-charters are identical to the terms of the original charter agreements. We rely on the sub-charters with a subsidiary of Transammonia to satisfy the obligations of the two charter party agreements. To date, the subsidiary of Transammonia has complied with the terms of the sub-charter agreements.

***Other Minimum Commitments.*** We have an interconnection obligation with respect to interconnection services for our Ontelaunee facility, which expires in 2027. Our obligation under this agreement is approximately \$1 million per year through the term of the contract.

Minimum commitments in connection with office space, equipment, plant sites and other leased assets, at December 31, 2011, were as follows: 2012 \$5 million, 2013 \$6 million, 2014 \$6 million, 2015 \$6 million, 2016 \$6 million and beyond \$7 million.

Rental payments made under the terms of these arrangements totaled \$1 million for the period from November 8, 2011 through December 31, 2011.

***Guarantees and Indemnifications***

In the ordinary course of business, we routinely enter into contractual agreements that contain various representations, warranties, indemnifications and guarantees. Examples of such agreements include, but are not limited to, service agreements, equipment purchase agreements, engineering and technical service agreements, asset sales and procurement and construction contracts. Some agreements contain indemnities that cover the other party's negligence or limit the other party's liability with respect to third party claims, in which event we will effectively be indemnifying the other party. Virtually all such agreements contain representations or warranties that are covered by indemnifications against the losses incurred by the other parties in the event such representations and warranties are false. While there is always the possibility of a loss related to such representations, warranties, indemnifications and guarantees in our contractual agreements, and such loss could be significant, in most cases management considers the probability of loss to be remote. Related to the indemnifications discussed below, we have accrued approximately \$1 million as of December 31, 2011.

***LS Power Indemnities.*** In connection with the sale of certain power generation facilities to LS Power in 2009, we agreed to indemnify LS Power against claims regarding any breaches in our representations and warranties and certain other potential liabilities. Claims for indemnification shall survive until twelve months subsequent to closing with exceptions for tax claims, which shall survive for



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**Note 17 Commitments and Contingencies (Continued)**

the applicable statute of limitations plus 30 days, and certain other representations and potential liabilities, which shall survive indefinitely. The indemnifications provided to LS Power are limited to \$1.3 billion in total; however, several categories of indemnifications are not available to LS Power until the liabilities incurred in the aggregate are equal to or exceed \$15 million and are capped at a maximum of \$100 million. Further, the purchase and sale agreement provides in part that we may not reduce or avoid liability for a valid claim based on a claim of contribution. In addition to the above indemnities related to the LS Power Transactions, we have agreed to indemnify LS Power against claims related to the Riverside/Foothills Project for certain aspects of the project. Namely, LS Power has been indemnified for any disputes that arise as to ownership, transfer of bonds related to the project, and any failure by us to obtain approval for the transfer of the payment in-lieu of taxes program already in place. The indemnities related solely to the Riverside/Foothills Project are capped at a maximum of \$180 million and extend until the earlier of the expiration of the tax agreement or December 26, 2026. At this time, we have incurred no significant expenses under these indemnities.

**West Coast Power Indemnities.** In connection with the sale of our 50 percent interest in West Coast Power to NRG on March 31, 2006, an agreement was executed to allocate responsibility for managing certain litigation and provide for certain indemnities with respect to such litigation. The indemnification agreement in relevant part provides that NRG assumes responsibility for all defense costs and any risk of loss, subject to certain conditions and limitations, arising from a February 2002 complaint filed at FERC by the California Public Utilities Commission alleging that several parties, including West Coast Power subsidiaries, overcharged the State of California for wholesale power. FERC found the rates charged by wholesale suppliers to be just and reasonable; however, this matter was appealed and ultimately remanded back to FERC for further review. On May 24, 2011 and May 26, 2011, FERC issued two orders in these dockets. The first order denied the request of the California Parties for consolidation of various dockets and denied their request for summary disposition on market manipulation issues. The second order addressed treatment of settled parties and the scope of hearing issues in the ongoing proceedings.

**Targa Indemnities.** During 2005, as part of our sale of our midstream business ("DMSLP"), we agreed to indemnify Targa Resources, Inc. ("Targa") against losses it may incur under indemnifications DMSLP provided to purchasers of certain assets, properties and businesses disposed of by DMSLP prior to our sale of DMSLP. We have incurred no material expense under these prior indemnities. We have recorded an accrual of less than \$1 million for remediation of groundwater contamination at the Breckenridge Gas Processing Plant sold by DMSLP in 2001. The indemnification provided by DMSLP to the purchaser of the plant has a limit of \$5 million.

**Black Mountain Guarantee.** Through one of our subsidiaries, we hold a 50 percent ownership interest in Black Mountain (Nevada Cogeneration) ("Black Mountain"), in which our partner is a Chevron subsidiary. Black Mountain owns the Black Mountain power generation facility and has a power purchase agreement with a third party that extends through April 2023. In connection with the power purchase agreement, pursuant to which Black Mountain receives payments which decrease in amount over time, we agreed to guarantee 50 percent of certain payments that may be due to the

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**Note 17 Commitments and Contingencies (Continued)**

power purchaser under a mechanism designed to protect it from early termination of the agreement. At December 31, 2011, if an event of default due to early termination had occurred under the terms of the mortgage on the facility entered into in connection with the power purchase agreement, we could have been required to pay the power purchaser approximately \$53 million under the guarantee.

**Other Indemnities.** We entered into indemnifications regarding environmental, tax, employee and other representations when completing asset sales such as, but not limited to, the Rolling Hills, Calcasieu, CoGen Lyondell and Heard County power generating facilities. As of December 31, 2011, no claims have been made against these indemnities. There is no limitation on our liability under certain of these indemnities. However, management is unaware of any existing claims.

**Note 18 Employee Compensation, Savings and Pension Plans**

***Plans Sponsored by Dynegy***

Our parent, Dynegy, sponsors and administers defined benefit plans and defined contribution plans for the benefit of our employees and also provides other post retirement benefits to retirees who meet age and service requirements. For the period from November 8, 2011 through December 31, 2011, our contributions related to these plans were less than \$1 million. The following summarizes these plans:

**Short-Term Incentive Plan.** Dynegy maintains a discretionary incentive compensation plan to provide our employees with rewards for the achievement of corporate goals and individual, professional accomplishments. Specific awards are determined by Dynegy's Compensation and Human Resources Committee of the Board of Directors and are based on predetermined goals and objectives established at the start of each performance year.

**Phantom Stock Plan.** In 2010 and 2009, Dynegy issued phantom stock units under its 2009 Phantom Stock Plan. Units awarded under this plan are long term incentive awards that grant the participant the right to receive a cash payment based on the fair market value of Dynegy's stock on the vesting date of the award. As these awards must be settled in cash, they are accounted for as liabilities, with changes in the fair value of the liability recognized as expense in the consolidated statement of operations. Our share of this expense is allocated to us by Dynegy and we recognized a benefit of \$1 million related to these awards for the period from November 8, 2011 through December 31, 2011 as a result of a decrease in Dynegy's stock price.

**401(k) Savings Plans.** Our employees participated in various 401(k) savings plans sponsored by Dynegy, all of which meet the requirements of Section 401(k) of the Internal Revenue Code and are defined contribution plans subject to the provisions of ERISA.

***Pension and Other Post-Retirement Benefits***

Dynegy sponsors various defined benefit pension plans and post-retirement benefit plans. Generally, all employees participate in the pension plans (subject to the plans eligibility requirements), but only some of our employees participate in the other post-retirement medical and life insurance

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**Note 18 Employee Compensation, Savings and Pension Plans (Continued)**

benefit plans. The pension plans are in the form of cash balance plans and more traditional career average or final average pay formula plans.

**Restoration Plans.** In 2008, Dynegy adopted the Dynegy Inc. Restoration 401(k) Savings Plan, or the Restoration 401(k) Plan, and the Dynegy Inc. Restoration Pension Plan, or the Restoration Pension Plan, two nonqualified plans that supplement or restore benefits lost by certain of our highly compensated employees under the qualified plans as a result of Internal Revenue Code limitations that apply to the qualified plans. The Restoration 401(k) Plan is intended to supplement benefits under certain of the 401(k) plans, and the Restoration Pension Plan is intended to supplement benefits under certain of the pension plans. Employees who are eligible employees under the related qualified plans and earn in excess of certain of the qualified plan limits are eligible to participate in the restoration plans. The definitions of plan pay under the restoration plans, as well as the vesting rules, mirror those under the related qualified plans. Benefits under the restoration plans are paid as a lump sum.

**Obligations and Funded Status.** The following tables contain information about the obligations and funded status of the defined benefit pension plan and post-retirement benefit plan sponsored by us:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
	<b>2011</b>	<b>2011</b>
	<b>(in millions)</b>	
Projected benefit obligation, as of November 7, 2011	\$ 1	\$ 19
Service cost		
Interest cost		
Actuarial (gain) loss		
Benefits paid		
Plan change		
Curtailments		(1)
Projected benefit obligation, end of the year	\$ 1	\$ 18
Fair value of plan assets, as of November 7, 2011	\$ 1	\$
Actual return on plan assets		
Employer contributions		
Benefits paid		
Fair value of plan assets, end of the year	\$ 1	\$
Funded status	\$	\$ (18)

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**Note 18 Employee Compensation, Savings and Pension Plans (Continued)**

The accumulated benefit obligation for our defined benefit pension plan was \$1 million at December 31, 2011. The following summarizes information for our defined benefit pension plan, which has an accumulated benefit obligation in excess of plan assets at December 31, 2011:

	<b>December 31, 2011</b>
	<b>(in millions)</b>
Projected benefit obligation	\$ 1
Accumulated benefit obligation	1
Fair value of plan assets	1

Pre-tax amounts recognized in Accumulated other comprehensive loss consist of:

	<b>Period from November 8, 2011 through December 31, 2011</b>	
	<b>Pension Benefits</b>	<b>Other Benefits</b>
	<b>(in millions)</b>	
Prior service cost	\$	\$
Actuarial loss		
<b>Net losses recognized</b>	<b>\$</b>	<b>\$</b>

Amounts recognized in the consolidated balance sheet consist of:

	<b>December 31, 2011</b>	
	<b>Pension Benefits</b>	<b>Other Benefits</b>
	<b>(in millions)</b>	
Current liabilities	\$	\$ (1)
Noncurrent liabilities		(18)
<b>Net amount recognized</b>	<b>\$</b>	<b>\$ (19)</b>

The estimated net actuarial loss and prior service cost that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost during the year ended December 31, 2012 for the defined benefit pension plans are both zero, respectively. The estimated net actuarial loss and prior service cost that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost during the year ended December 31, 2012 for other postretirement benefit plans are both zero. The amortization of prior service cost is determined using a straight line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**Note 18 Employee Compensation, Savings and Pension Plans (Continued)**

*Components of Net Periodic Benefit Cost.* The components of net periodic benefit cost were:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
	(in millions)	
Service cost benefits earned during period	\$	\$
Interest cost on projected benefit obligation		
Expected return on plan assets		
Amortization of prior service costs		
Recognized net actuarial loss		
Cost of curtailment		(1)
<b>Total net periodic benefit cost</b>	<b>\$</b>	<b>\$ (1)</b>

*Assumptions.* The following weighted average assumptions were used to determine benefit obligations:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
Discount rate (1)	4.80%	4.93%
Rate of compensation increase	N/A	3.50%

(1) We utilized a yield curve approach to determine the discount. Projected benefit payments for the plans were matched against the discount rates in the yield curve.

The following weighted average assumptions were used to determine net periodic benefit cost:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
Discount rate	5.49%	5.61%
Expected return on plan assets	8.00%	N/A
Rate of compensation increase	N/A	4.50%

Our expected long-term rate of return on plan assets for the year ended December 31, 2012 will be 7 percent. This figure begins with a blend of asset class-level returns developed under a theoretical global capital asset pricing model methodology conducted by an outside consultant. In development of this figure, the historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long-term. Current market factors such as inflation and interest rates are also incorporated in the assumptions. The figure also incorporates an upward adjustment reflecting the plan's use of active management and favorable past experience.

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**(RESTATED)**

**Note 18 Employee Compensation, Savings and Pension Plans (Continued)**

The following summarizes our assumed health care cost trend rates:

Health care cost trend rate assumed for next year	8.00%
Ultimate trend rate	4.50%
Year that the rate reaches the ultimate trend rate	2019

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The impact of a one percent increase/decrease in assumed health care cost trend rates is as follows:

	Increase	Decrease
	(in millions)	
Aggregate impact on service cost and interest cost	\$	\$
Impact on accumulated post-retirement benefit obligation	\$ 4	\$ (3)

**Plan Assets.** We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, and small and large capitalizations. The target allocations for plan assets are thirty-five percent fixed income securities, forty percent U.S. equity securities, five percent non-US equity securities, and twenty percent global equity securities.

Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investment. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, periodic asset/liability studies, and annual liability measurements.

The following table sets forth by level within the fair value hierarchy assets that were accounted for at fair value related to our pension plans. These assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the

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**Note 18 Employee Compensation, Savings and Pension Plans (Continued)**

significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

<b>Fair Value as of December 31, 2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>(in millions)</b>				
<b>Equity securities:</b>				
U.S. companies (1)	\$	\$	1	\$ 1
Non-U.S. companies (2)				
International (3)				
Fixed income securities(4)				
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>1</b>	<b>\$ 1</b>

- (5) This category comprises a domestic common collective trust not actively managed that tracks the Dow Jones total U.S. stock market.
- (6) This category comprises a common collective trust not actively managed that tracks the MSCI All Country World Ex-US Index.
- (7) This category comprises actively managed common collective trusts that hold U.S. and foreign equities. These trusts track the MSCI World Index.
- (8) This category includes a mutual fund and a trust that invest primarily in investment grade corporate bonds.

**Contributions and Payments.** During the period from November 8, 2011 through December 31, 2011, we had less than \$1 million in contributions to our pension plans and other post-retirement benefit plans. In 2012, we expect to contribute zero to our pension plans and zero to our other postretirement benefit plans.

Our expected benefit payments for future services for our pension and other postretirement benefits are as follows:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
<b>(in millions)</b>		
2012	\$	\$ 1
2013		1
2014		
2015		
2016		1





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**(RESTATED)**

**Note 19 Segment Information (Restated)**

We report the results of our power generation business in the following reportable segments (i) the Gas segment ("Gas") and (ii) the Dynegy Northeast segment ("DNE"). Our consolidated financial results also reflect corporate-level expenses such as interest and depreciation and amortization. General and administrative expenses are allocated to each reportable segment.

During the period from November 8, 2011 through December 31, 2011, three customers in Gas accounted for 14 percent, 11 percent and 12 percent of our revenues. In Other, which includes power sales entered into on behalf of our affiliate, there was one customer representing 44 percent of our revenues.

Reportable segment information for DH, including intercompany transactions accounted for at prevailing market rates, as of December 31, 2011 and for the period from November 8 through December 31, 2011 is presented below.

**Segment Data as of December 31, 2011 and  
for the Period from November 8 through December 31, 2011  
(in millions)**

	Gas	DNE	Other and Eliminations	Total
Total revenues	\$ 43	\$ 4	\$ 3	\$ 50
Depreciation and amortization	\$ (17)	\$ 6	\$ (1)	\$ (12)
General and administrative expense	\$ (13)	\$ (1)	\$ 7	\$ (7)
Operating income (loss)	\$ (80)	\$ (5)	\$ 9	\$ (76)
Other items, net			14	14
Interest expense				(23)
Bankruptcy reorganization charges				(666)
Loss from continuing operations before income taxes				(751)
Income tax benefit (Restated)				188
Net loss (Restated)				\$ (563)
Identifiable assets (domestic) (Restated)	\$ 6,759	\$ 54	\$ 1,498	\$ 8,311
Capital expenditures	\$ (22)	\$ (1)	\$	\$ (23)

**Note 20 Subsequent Events (Unaudited)**

The following significant events occurred subsequent to the original issuance date of these financial statements on March 8, 2012, but prior to the December 10, 2012 reissuance date and therefore require disclosure as nonrecognized subsequent events.

**Settlement Agreement.** On May 1, 2012, Dynegy and certain of its subsidiaries, including the DH Debtor Entities, entered into a settlement agreement with certain of DH's creditors, including certain

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**Note 20 Subsequent Events (Unaudited) (Continued)**

beneficial holders of DH's then-outstanding senior notes, the owners and lessors of the Roseton and part of the Danskammer facilities, and U.S. Bank, in its capacity as trustee under an indenture governing certain lease certificates guaranteed by DH (the "Original Settlement Parties"). On May 30, 2012, the Original Settlement Parties, holders of a majority of DH's then-outstanding subordinated notes, and, solely with respect to certain sections of the Settlement Agreement, Wells Fargo N.A., as successor trustee under the indenture governing DH's subordinated notes, entered into an amended and restated settlement agreement (the "Settlement Agreement"). Pursuant to the terms of the Settlement Agreement, Dynegy and DH took certain steps towards their emergence from Chapter 11 bankruptcy, including the DMG Acquisition described below and the filing of amendments to the Plan. In addition, parties to certain prepetition litigations (as discussed in Note 17 Commitments and Contingencies Legal Proceedings Bondholder Litigation) and adversary proceedings (relating to the Roseton and Danskammer facilities) filed stipulations of dismissals in their respective litigations or proceedings and certain intercompany receivables pursuant to an agreement by Dynegy to make payments to Dynegy Gas Investments, LLC and a related DH promissory note were cancelled.

As a result of the Settlement Agreement, we increased the estimated amount of the allowed claims against DH, Roseton and Danskammer related to the rejection of the leases for the Roseton and Danskammer power generation facilities to approximately \$695 million (inclusive of PSEG's \$110 million allowed claim). We also reduced our previous estimate of the allowed claims related to the Subordinated Capital Income Securities and related interest by approximately \$161 million to \$55 million.

**DMG Acquisition.** On June 5, 2012, pursuant to the Settlement Agreement, Dynegy and DH consummated the acquisition of DMG (the "DMG Acquisition"). The DMG Acquisition was accounted for as a business combination. Accordingly, the assets acquired and liabilities assumed were recognized at their fair value as of the acquisition date.

The purchase price was approximately \$466 million which was comprised of (i) approximately \$402 million for the fair value of the Undertaking receivable, affiliate that was extinguished in connection with the transaction and (ii) approximately \$64 million for the fair value of the Administrative Claim issued to Dynegy in the DH Chapter 11 Cases. DH recorded an impairment expense of \$832 million for the difference between the carrying value and the fair value of the Undertaking receivable, affiliate.

**Merger.** On September 30, 2012, DH merged with and into Dynegy with Dynegy continuing as the surviving legal entity of the merger. Immediately prior to the merger, Dynegy had no substantive operations, and therefore DH was considered the acquirer for accounting purposes. There was no consideration exchanged in the transaction and Dynegy, as the accounting acquiree, did not meet the definition of a business; therefore, we accounted for the acquisition of Dynegy as a "recapitalization." Under this method of accounting, the net assets of \$54 million contributed by Dynegy were credited directly to stockholder's equity. Furthermore, the surviving legal entity's historical results for periods prior to the Merger are the same as DH's historical results.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(RESTATED)**

**Note 20 Subsequent Events (Unaudited) (Continued)**

**Emergence.** On October 1, 2012 (the "Effective Date"), we consummated our reorganization under Chapter 11 pursuant to the Plan and exited bankruptcy. On the Effective Date:

All of Dynegy's Equity Interests, including Dynegy's old common stock, were cancelled.

Each holder of Allowed General Unsecured Claims received its Pro Rata Share of (a) 99 million shares of Dynegy Common Stock and (b) a \$200 million cash payment (the "Plan Cash Payment").

In full satisfaction of the Dynegy Administrative Claim (otherwise referred to herein as the "Administrative Claim"), the beneficial holders thereof (which were the holders of Dynegy's old common stock) received their Pro Rata Share of (a) one million shares of Dynegy Common Stock and (b) warrants to purchase approximately 15.6 million shares of Dynegy Common Stock for an exercise price of \$40 per share (subject to adjustment) expiring on October 2, 2017 (the "Warrants").

In addition, each holder of an Allowed General Unsecured Claim will receive, as applicable, their Pro Rata Share of the proceeds of the sale of the Roseton and Danskammer generation facilities (the "Facilities") allocated to Dynegy (the "Facilities Sale") according to the Settlement Agreement (the amount of which, if any, is to be determined); provided that, the Lease Trustee (on behalf of itself and the Lease Certificate Holders) will not receive a distribution of any amounts paid pursuant to the Facilities Sale in its capacity as holder of the Lease Guaranty Claim.

On the Effective Date, and pursuant to the Plan, outstanding obligations of approximately \$4 billion in aggregate principal amount, were cancelled. Additionally, all of DH's obligations with respect to the leases of the Facilities were cancelled. Upon emergence, we will apply fresh start accounting to our consolidated financial statements because (i) the reorganization value of the assets of the emerging entity immediately before the date of confirmation was less than the total of all post-petition liabilities and allowed claims and (ii) the holders of the existing voting shares of the predecessor's common stock immediately before confirmation received less than 50 percent of the voting shares of the emerging entity.

The DNE Entities remain in Chapter 11 bankruptcy and continue to operate their businesses as "debtors-in-possession." Therefore, on the Effective Date, we deconsolidated the DNE Entities.