DYNEGY INC /IL/
Form 424B3
May 22, 2006
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The information in this preliminary prospectus supplement and accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-66088

Subject to Completion, dated May 22, 2006

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 27, 2001)

35,000,000 Shares

Class A Common Stock

Dynegy Inc. is hereby offering 35,000,000 shares of its Class A common stock. We will use the net proceeds from the sale of these shares, together with cash on hand and a $50 million cash dividend from our principal financing subsidiary, Dynegy Holdings Inc. (DHI), to redeem all of our outstanding Series C convertible preferred stock, having an aggregate liquidation preference of $400 million. Concurrently with this offering, DHI intends to enter into a new $150 million term loan facility. This offering is conditioned upon the consummation of DHI s proposed new term loan facility.

Our Class A common stock is listed on The New York Stock Exchange under the symbol DYN. The last reported sales price of our Class A common stock on May 19, 2006 was $4.92 per share.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page S-15 of this prospectus supplement.

	Per share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 5,250,000 shares of our Class A common stock at the public offering price per share, less the underwriting discounts and commissions, if the underwriters sell more than 35,000,000 shares in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the shares of our Class A common stock will be made on or about May , 2006, which is the second business day following the date of this prospectus supplement (such settlement cycle being referred to as T+2). You should be advised that trading of the shares may be affected by the T+2 settlement. See Underwriting.

Joint Book-Running Managers

JPMorgan

Lehman Brothers

ABN AMRO Rothschild LLC

Dresdner Kleinwort Wasserstein

Wedbush Morgan Securities Inc.

, 2006

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and the securities offered hereby. The second part is the accompanying prospectus, which gives more general information and includes disclosures that would pertain if at some time in the future we were to sell debt securities, preferred stock, Class A common stock, depositary shares, warrants, stock purchase contracts or units, trust preferred securities or trust debentures. Accordingly, the accompanying prospectus contains certain data that does not apply to this offering.

If any information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. Generally, when we refer to the prospectus, we are referring to both documents combined.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus or in any document incorporated by reference herein or therein is accurate only as of the date appearing on the front cover of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus supplement and the accompanying prospectus incorporate by reference important business and financial information about us that is not included in or delivered with this document. See Where You Can Find More Information. This information is available without charge to you upon written or oral request to: Dynegy Inc., 1000 Louisiana, Suite 5800, Houston, Texas 77002, (713) 507-6400, Attention: Investor Relations.

In this prospectus supplement, we, us, our, Dynegy and the Company refer to Dynegy Inc. and its subsidiaries, unless the context requires otherwise.

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UNCERTAINTY OF FORWARD-LOOKING STATEMENTS AND INFORMATION

This prospectus supplement includes statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as forward-looking statements. All statements included or incorporated by reference in this prospectus supplement, other than statements of historical fact, that address activities, events or developments that we or our management expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, project, forecast, plan, may, will, should, other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

- projected operating or financial results, including anticipated cash flows from operations;
- expectations regarding capital expenditures, interest expense and other payments;
- beliefs about commodity pricing;
- strategies to capture opportunities presented by rising commodity prices and strategies to manage our risk exposure to energy price volatility while reducing our hedging;
- plans to achieve fuel-related, general and administrative, and other targeted cost savings;
- beliefs and assumptions relating to our liquidity position, including our ability to redeem the remaining outstanding Second Priority Senior Secured Floating Rate Notes due 2008 of DHI and to satisfy or refinance our significant debt maturities and other obligations before or as they come due;
- strategies to address our substantial leverage, to access the capital markets, or to obtain additional financing or more favorable financing terms;
- measures to compete effectively with industry participants;
- beliefs and assumptions about market competition, fuel supply, power demand, generation capacity and regional recovery of the wholesale power generation market;
- sufficiency of coal and fuel oil inventories and transportation;
- beliefs about the outcome of legal and administrative proceedings, including the matters involving the western power and natural gas markets, environmental and master netting agreement matters, and the investigations primarily relating to our past trading practices;

- assumptions about prospective regulatory developments;
- expectations regarding environmental matters, including costs of compliance and availability and adequacy of emission credits;
- strategies to remediate the material weakness existing in our accounting for income taxes and our risk management assets and liabilities;
- application of the remaining proceeds from the sale of our midstream natural gas business;
- positioning our power generation business for future growth and pursuing and executing acquisition or combination opportunities; and
- our ability to complete our exit from the customer risk management business and the costs associated with this exit.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, many of which are beyond our control, including those set forth under Risk Factors.

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In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements. Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements.

All forward-looking statements contained or incorporated by reference in this prospectus supplement or the accompanying prospectus are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made.

MARKET AND INDUSTRY DATA

Certain market and industry data included or incorporated by reference in this prospectus supplement or the accompanying prospectus has been obtained from third party sources that we believe to be reliable. We have not independently verified such third party information and cannot assure you of its accuracy or completeness. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under Uncertainty of Forward-Looking Statements and Information and Risk Factors in this prospectus supplement and the accompanying prospectus.

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SUMMARY

This summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this prospectus supplement or the accompanying prospectus. Because this is a summary, it may not contain all of the information you should consider before deciding whether to purchase our Class A common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section of this prospectus supplement entitled Risk Factors, as well as the documents incorporated herein and therein by reference, before making a decision. See Where You Can Find More Information.

The Company

We are a holding company and 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, and our primary business is the production and sale of electric energy, capacity and ancillary services from our 11,920 MW fleet (20 plants) of owned or leased power generation facilities (excluding our 900 MW Rockingham generation facility, which we expect to sell to Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC (Duke Energy) in the fourth quarter of 2006 pursuant to an agreement entered into on May 21, 2006; see Recent Developments Pending Sale of Rockingham Facility). The majority of our assets are located in the Midwest, New York, Texas and the Southeast. Our diverse power generation facilities generate electricity by burning coal, natural gas or oil. We sell electric energy, capacity and ancillary services primarily through bilateral negotiated contracts with third parties and into regional central markets, and in lesser volumes through structured wholesale over-the-counter markets and directly to end-use customers.

We report the results of our power generation business as three separate segments in our consolidated financial statements: (1) the Midwest segment; (2) the Northeast segment; and (3) the South segment. We also have a customer risk management (CRM) business. After the termination of our Sterlington long-term wholesale power tolling contract effective March 7, 2006 as discussed below, our CRM business, which we report as a separate segment, primarily consists of Kendall, our remaining power tolling arrangement, as well as our physical gas supply contracts, gas transportation contracts and remaining gas, power and emissions trading positions. Our consolidated financial results also reflect corporate-level expenses such as general and administrative, interest and depreciation and amortization, which are included in the Other segment of our consolidated financial results.

Our Business Segments

Power Generation

Our power generation fleet is diversified by dispatch type (baseload, intermediate and peaking), fuel source and geographic location. Coal-fired facilities comprise approximately 32% of our portfolio, while natural gas-fired facilities comprise approximately 57% and dual or multiple-fired facilities comprise approximately 11%. Our generation facilities are concentrated in the Midwest, Northeast and Southern United States. We seek to operate our diversified asset portfolio so as to be well positioned to respond to a changing market environment.

We generate earnings and cash flows through sales of electric energy, capacity and ancillary services. Primary factors impacting our earnings and cash flows are the prices for power, natural gas, fuel oil and coal, which in turn are largely driven by supply and demand. Demand for power can vary regionally due to, among other things, weather and general economic conditions. Power supplies similarly vary by region and are impacted significantly by available generating capacity, transmission capacity and federal and state regulation. We also are impacted by the relationship between prices for power and natural gas and prices for power and fuel oil, commonly referred to as the spark spread, and its impact on our costs to generate electricity. However, we believe that our significant coal-fired generation facilities partially mitigate our sensitivity to changes in the spark spread, in that our cost of coal, particularly in the Midwest, is relatively stable, and position us for potential increases in earnings and cash flows in an environment where both power and gas prices increase. Other factors that have impacted, and are expected to continue to impact, earnings and cash flows for our business include:

- our ability to control our capital expenditures, which primarily are limited to maintenance, safety, environmental and reliability projects, and to control other costs through disciplined management; and

- our ability to optimize our assets through in-market availability, reliable run-time and safe, efficient operations.

In addition to these factors, other factors have impacted, and are expected to continue to impact, earnings and cash flows for our power generation business, many of which are beyond our control. See Risk Factors.

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Our key assets are as follows:

Facility(1)	Total net generating capacity (MW)(2)	Primary fuel type	Dispatch type	Location	NERC region (ISO)
Baldwin	1,806	Coal	Baseload	Baldwin, IL	SERC (MISO)
Havana Units 1-5					
	242	Oil	Peaking	Havana, IL	SERC (MISO)
Unit 6	448	Coal	Baseload	Havana, IL	SERC (MISO)
Hennepin	301	Coal	Baseload	Hennepin, IL	SERC (MISO)
Oglesby	63	Gas	Peaking	Oglesby, IL	SERC (MISO)
Stallings	89	Gas	Peaking	Stallings, IL	SERC (MISO)
Tilton	188	Gas	Peaking	Tilton, IL	SERC (MISO)
Vermilion	194	Coal/Gas/Oil	Baseload/Peaking	Oakwood, IL	SERC (MISO)
Wood River Units 1-3	133	Gas	Peaking	Alton, IL	SERC (MISO)
Units 4-5	461	Coal	Baseload	Alton, IL	SERC (MISO)
Rocky Road(3)	364	Gas	Peaking	East Dundee, IL	RFC (PJM)
Riverside/Foothills	940	Gas	Peaking	Louisa, KY	RFC (PJM)
Rolling Hills	970	Gas	Peaking	Wilkesville, OH	RFC (PJM)
Renaissance	776	Gas	Peaking	Carson City, MI	RFC (MISO)
Bluegrass	576	Gas	Peaking	Oldham Co., KY	RFC (MISO)
Total Midwest	**7,551**				
Independence	1,092	Gas	Intermediate	Scriba, NY	NPCC (NYISO)
Roseton	1,210	Gas/Oil	Intermediate	Newburgh, NY	NPCC (NYISO)
Danskammer Units 1-2					
	130	Gas/Oil	Peaking	Newburgh, NY	NPCC (NYISO)
Units 3-4	371	Coal/Gas/Oil	Baseload	Newburgh, NY	NPCC (NYISO)
Total Northeast	**2,803**				
Calcasieu	347	Gas	Peaking	Sulphur, LA	SERC
Heard County	566	Gas	Peaking	Heard Co., GA	SERC
Black Mountain(4)	43	Gas	Baseload	Las Vegas, NV	WECC
CoGen Lyondell	610	Gas	Baseload	Houston, TX	ERCOT (ISO)
Total South	**1,566**				
Total Fleet Capacity	**11,920**				

(1) Excludes our gas and oil-fired Rockingham generation facility located in Rockingham County, North Carolina, which has a total net generating capacity of 900 MW. Pursuant to an agreement entered into on May 21, 2006 and subject to the regulatory approvals and customary closing conditions as specified therein, we expect to sell this facility to Duke Energy in the fourth quarter of 2006. For further information, see Recent Developments Pending Sale of Rockingham Facility below.

(2) Unit capabilities are winter ratings as provided to regional reliability councils.

(3) We completed the purchase of NRG s 50% interest in this facility on March 31, 2006. Total nameplate capacity of this facility is 364 MW. For further information, see Recent Developments Recent Acquisition and Sale below.

(4) We own a 50% interest in this facility and the remaining 50% interest is held by Chevron U.S.A. Inc. (CUSA), our largest common shareholder, the holder of our Series C convertible preferred stock and a wholly-owned subsidiary of Chevron Corporation. Total output capacity of this facility is 85 MW.

Power Generation Midwest. We own 7,551 MW in the Midwest region, primarily consisting of coal-fired and gas-fired facilities (after giving effect to our recent sale to, and acquisition from, NRG; see Recent Developments Recent Acquisition and Sale below).

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Our baseload coal-fired fleet consists of 3,210 MW of low production cost generation facilities benefiting from favorable long-term coal supply and transportation contracts. These facilities also benefit from higher natural gas prices which tend to set power prices in our operating regions during on-peak periods.

Our power supply agreement with AmerenIP expires in December 2006. Under the terms of the contract, we must provide up to 2,800 MW per hour at $30.00 per MWh, with a maximum of 11.5 million MWh per year. Additionally, we receive $4.00 per kW-month in capacity payments. Currently, about one-third of our on-peak Midwest production is used to serve this contract. Current forward on-peak power prices in this region are higher than power prices realized under this contract. We are exploring a number of alternatives with respect to sales of power following the expiration of our contract with AmerenIP, but generally expect that any alternative(s) chosen will allow us to realize prevailing market prices for 2007 and beyond.

We have completed conversion of our Midwest coal fleet to Powder River Basin (PRB) coal. PRB coal is cheaper and has lower sulfur content than coal from other regions. We have secured PRB coal, along with transportation rights, under long-term contracts on terms that we consider favorable, providing a level of certainty around our coal supply for our Midwest coal facilities.

We have settled the environmental claims brought by the EPA against our Midwest coal facilities. Under the terms of the settlement, we are required to reduce emissions to specified levels, which will require the installation of emission control equipment with an expected total cost of approximately $611 million through 2013; we spent approximately $27 million in 2005 and approximately $6 million in the first quarter of 2006 on the installation of such equipment. The installation of this equipment is expected to result in substantial cost and emissions reductions for our Illinois coal-fired power plants.

Power Generation Northeast. We own 1,092 MW and lease 1,711 MW in the Northeast region serving the New York market. These assets include gas, fuel oil and coal-fired facilities.

We believe that our 371 MW Danskammer coal-fired facility is well positioned to capture high margins in a gas-dominated market. Because of its dual-fuel capability, we can dispatch our 1,210 MW dual-fuel (oil/gas) Roseton facility based on the lowest cost fuel option and therefore, we believe, capture additional market opportunities when they arise. In addition, our 1,092 MW gas-fired Independence facility has 72% of its capacity under contract through 2014.

Power Generation South. We own 1,566 MW of gas-fired assets in the South region (after giving effect to our recent sale to, and acquisition from, NRG and the pending sale of our Rockingham facility; see Recent Developments Recent Acquisition and Sale and Recent Developments Pending Sale of Rockingham Facility below). Our 610 MW CoGen Lyondell facility in Texas is a baseload facility as is our 43 MW Black Mountain facility, while our other facilities in this segment are peaking units.

Earnings and cash flow in this segment are expected to benefit from a more favorable contract at CoGen Lyondell. Under the terms of the 15-year agreement, which starts in 2007, we will improve our fuel cost recovery and receive a market-based margin. Expected incremental annual operating income of approximately $40-55 million is associated with this contract.

Our peaking facilities in this segment continue to contribute revenue from sales of capacity, mainly to the local load-serving entities or wholesale buyers.

Customer Risk Management

Our CRM segment is comprised largely of the Kendall power tolling arrangement, as well as our legacy physical gas supply and transportation contracts and gas, power and emissions trading positions. We are actively

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pursuing opportunities to terminate, assign or renegotiate the terms of our remaining obligations under these agreements.

We have entered into a back-to-back agreement with Constellation Energy Commodities Group, Inc. through which we have effectively offset our obligations under the Kendall tolling agreement through the end of 2008. Kendall is a 578 MW combined-cycle facility in Illinois. Following the expiration of this back-to-back agreement and through 2012 (2017, if we exercise our option under the agreement), we are obligated to make aggregate payments of approximately $457 million under the Kendall tolling agreement, the impact of which will be offset by any benefits we receive from dispatching the facility.

Regarding our legacy gas, power and emissions trading businesses, we have substantially reduced the size of our mark-to-market portfolio since October 2002, when we initiated our efforts to exit the CRM business. Our remaining transactions still require cash proceeds to purchase gas for our customers; however, those cash requirements are partially offset by the proceeds received from financial contracts hedging the supply. Therefore, the profit and loss impact of price movements are mitigated by these offsetting financial positions. Our remaining legacy power trading business, exclusive of our Kendall power tolling arrangement, is expected to be substantially exited by the end of 2006. Although these transactions are accounted for on a mark-to-market basis and will continue to impose volatility in our statement of operations as prices change during year, we currently anticipate that these transactions will be cash flow positive for 2006 on an aggregate basis. Finally, we have forward obligations to deliver SO_2 emission allowances in 2006, 2007 and 2008, and we currently own allowances that we believe to be adequate to satisfy the forward obligations. However, we experience volatility in our statement of operations, as the value of these obligations varies due to changes in underlying emissions prices, and while the allowances are included in inventory on our consolidated balance sheets, only downward changes in value on the inventory are recognized in our statement of operations.

Other

The Other segment of our consolidated financial results includes corporate-level expenses such as general and administrative, interest and depreciation and amortization. Beginning with fiscal year 2006, general and administrative expenses are no longer allocated to our segments.

Our Competitive Strengths

Scale and Diversity of Assets

We own or lease approximately 11,920 MW (20 plants) of generation capacity (excluding our 900 MW Rockingham generation facility; see Recent Developments Pending Sale of Rockingham Facility), which is diversified by fuel type, dispatch level and region. Our assets are located in the Midwest, New York, Texas and the Southeast and generate electricity by burning coal, natural gas and oil. We sell electric energy, capacity and ancillary services primarily through bilateral negotiated contracts with third parties and into regional central markets, and in lesser volumes through structured wholesale over-the-counter markets and directly to end-use customers. Our Roseton and Danskammer facilities in New York, which represent approximately 11% of our generation capacity, have dual or multiple fuel capability, which allows us to dispatch them with the lowest cost fuel option. We believe that this fuel diversity will help us capture additional market opportunities when they arise.

Our baseload facilities, which consist of approximately 4,234 MW of generation capacity, provide a source of stable volumes that provide the majority of our cash flows, while our intermediate and peaking facilities, with approximately 7,686 MW of generation capacity, provide us with the opportunity to capture the upside potential

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that arises at times of high demand. We believe that our intermediate and peaking facilities are well-situated to benefit during peak demand periods as well as to serve market capacity and reliability needs.

Strong Market Fundamentals for Baseload Generation Units

Approximately 32% of our generation capacity is fueled by coal. In the markets where these coal units operate, the market price of power is typically set by the marginal cost of gas-fired or other generation facilities that currently have higher variable costs than our coal plants. As a result of the lower marginal cost for our coal plants, we attempt to dispatch them 100% of the time they are available in order to maximize the benefit of our low cost of production. We have implemented a fuel procurement policy intended to ensure a long-term adequate supply of coal at economical prices. All of our coal plants in the Midwest are now burning low-cost, low-emission PRB coal, which should provide us with significant cost advantages and lower emissions. About 96% of our coal requirements for our Midwest fleet through 2010 is contracted. We also have long-term transportation contracts for the delivery of coal to our Midwest plants.

Regional Advantages

The bulk of our capacity (approximately 7,500 MW) is in the Midwest region. Approximately 5,200 MW of this capacity is in the MISO region while the remainder is in the PJM region. Both the MISO and PJM regions are large liquid markets, and we believe that our plants are favorably placed on the dispatch curve. We believe these regions will experience increased demand for power in the future. We further believe that our low-cost baseload facilities are well-situated to capture higher market prices, while our peaking facilities are well-situated to meet peak load and reliability needs.

We own approximately 2,800 MW of generation capacity in the Northeast region. With a portfolio of coal, gas and oil-fired generation facilities located across the state of New York, we believe we are well positioned to meet capacity, energy and ancillary services needs in the New York markets. We also have approximately 1,500 MW of gas-fired peaking and baseload generation capacity in the South region.

Operational Excellence

In the past few years, our operational performance has improved. One of our primary measures of performance is in-market availability, or the amount of time that our units are available at their rated capacity when the market indicates that they can profitably run. In-market availability, along with other metrics, enables us to monitor how our plants are performing and helps us determine operational and commercial strategies we need to implement in order to maximize our operating performance and ensure efficiency in the timing and costs of our maintenance activities. The in-market availability of our major stations surrounding our Midwest and our Northeast assets has shown a steady improvement to above 90% in 2004 and 2005, and our Baldwin facility has seen close to an 8% increase in its in-market availability since 2001. Additionally, the PRB conversion of our Midwest coal plants has further improved the performance of these facilities. Moreover, over the past year, our power generation business achieved a significant reduction in the number of safety incidents. This accomplishment can be attributed to our continued execution of a safety program that includes identifying, encouraging and tracking safety-related behaviors, which are positively correlated with improved safety performance. We believe that continuing to focus on operational excellence will allow us the opportunity to improve our financial performance.

Our Strategy

We are a leading independent power producer operating in key regions of the United States, including the Midwest, Northeast and Southeast. We intend to build on our existing asset base as a platform for future growth and take advantage of market opportunities, including expected market recoveries, to enhance our financial performance. We believe that we have the following competitive strengths:

Positioned for Power Market Recovery

We operate a balanced portfolio of generation assets that is diversified in terms of geography, fuel type and dispatch profile. As a result, we believe our asset portfolio is well positioned to benefit from our expectations regarding improvements in electricity and capacity pricing as the U.S. power markets revert to supply-demand equilibrium and reserve margins fall. In addition, assuming gas-fired units continue to run as marginal units in our core regions, our substantial coal-fired, baseload fleet should continue to benefit from the impact of higher natural gas prices on power prices, allowing us to capture greater margins.

Focus on Operational Excellence

We are focused on maintaining and enhancing our operating track record through increased plant availability, higher dispatch and capacity factors and improved cost controls. By managing fuel costs, minimizing plant outages and reducing corporate overhead, we aim to improve our results. We are committed to operating our facilities in a safe, reliable and environmentally compliant manner.

Employ a Commodity Cyclical Business Model

Our strategy is to optimize our ability to sell electricity and capacity into the merchant and bilateral markets when pricing is most attractive. We believe this objective can be best achieved through ensuring that our facilities can sell power when it is needed in near-term markets rather than attempting to predict longer-term market prices or to otherwise limit our ability to participate in the near-term power markets.

We believe that the power industry is a commodity cyclical business with significant commodity price volatility and requiring considerable capital investment. In order to maximize economic returns in this market environment, we believe that, similar to other capital intensive commodity cyclical businesses, we must have a capital structure that can withstand power price volatility as well as have a commercial strategy that captures the value associated with both short-term and long-term price increases. We believe that we have created a suitable capital structure by actively managing our overall debt levels, liquidity position and debt maturity profile. Our commercial strategy is focused on three elements. First, we maintain a portfolio of low-cost plants that can provide cash flow throughout the market pricing cycles. Second, we include in our portfolio facilities that can provide reliability and other services to the markets both during peak-demand periods and as overall regional electric demand increases over time. Finally, we seek to ensure that all of our plants are ready to produce electricity when market demand and, therefore, market price, is highest.

The output from our facilities is sold into the markets through a variety of mechanisms ranging from spot sales in daily markets to longer-term sales under bilateral or over-the-counter markets. While we do not have a prescribed allocation of volumes between these different market options, we generally intend to rely on our low-cost coal facilities to provide a base level of cash flow, while preserving exposure to market prices. This strategy allows us to benefit from both short-term and long-term market price increases. Consequently, our financial results will be sensitive to, and generally correlated with, commodity prices (especially natural gas prices and regional power prices). While we will not typically commit significant portions of our portfolio to fixed-price sales over long terms, we may enter into short-term contracts to capture the value of periodic market price fluctuations that we believe are beneficial to our financial performance, or to otherwise support our liquidity position.

Transition From a Restructuring Phase to a Growth Stage

Our executive management team is focused on building a commodity-cyclical power generation business. We intend to strengthen our position as an independent power producer through fiscally responsible growth and by pursuing strategic opportunities to add scale and scope to our business. To achieve these objectives, we expect to pursue opportunities to develop and expand our existing facilities, achieve operating efficiencies and/or grow our presence within our core markets. We believe the scalability of our platform, which was built to operate a much larger portfolio, should allow us to take advantage of improving power markets as well as growth and consolidation within the sector.

Tightly Manage Costs and Expenditures

We intend to continue our efforts to manage costs and capital expenditures effectively. In December 2005, we announced a comprehensive plan to better align our corporate cost structure with our single line of business. The plan included headcount reductions and system changes and has resulted in a reduction of our general and administrative expenses. Further, our generation assets are managed to require a relatively predictable level of maintenance capital expenditures without compromising operational integrity. We believe that these ongoing efforts should allow us to maintain our focus on being a reliable, low-cost producer of power.

Recent Developments

Redemption of Series C Convertible Preferred Stock

We have entered into a preferred stock redemption agreement with CUSA, dated as of May 22, 2006, pursuant to which we have agreed to purchase all 8 million shares of our outstanding Series C convertible preferred stock for a cash purchase price of $400 million, plus accrued and unpaid dividends. The Series C convertible preferred stock has an aggregate liquidation preference of $400 million, plus accrued and unpaid dividends, is convertible into our Class A common stock at $5.78 per share (subject to adjustment for stock dividends, combinations or splits with respect to such shares) and is entitled to receive dividends at the annual rate of 5.5% of the liquidation value per share of Series C convertible preferred stock, or $2.75 per share annually. The redemption agreement is subject to customary closing conditions as well as our consummation of this common stock offering (which is conditioned upon the consummation of DHI s proposed new term loan facility described below). The redemption is expected to occur immediately following the closing of this offering. We intend to use the net proceeds of this common stock offering, together with cash on hand and a $50 million cash dividend from DHI as described below, to pay the redemption price for our Series C convertible preferred stock. See Use of Proceeds.

Second Amended and Restated Shareholder Agreement

In connection with the redemption discussed above, we and CUSA will enter into a second amended and restated shareholder agreement, amending and restating the amended and restated shareholder agreement between us and CUSA dated as of August 11, 2003. The second amended and restated shareholder agreement is substantially similar to the 2003 amended and restated shareholder agreement, except that the provisions of the agreement relating to our Series C convertible preferred stock and the Public Utility Holding Company Act of 1935 will be eliminated. The second amended and restated shareholder agreement will be effective from the closing of the Series C convertible preferred stock redemption. It will provide that if CUSA acquires more than 40% of our voting securities, it must make a written offer to purchase all of our outstanding stock. The second amended and restated shareholder agreement will also restrict the manner in which CUSA may transfer its shares of our Class B common stock.

In addition, the second amended and restated shareholder agreement will provide that if CUSA or its board designees block certain transactions - which they are entitled to do under our bylaws - two times in any 24-month period or three times over any period of time - CUSA will be required to either (i) sell its shares of our Class B common stock or (ii) elect to retain its shares of our Class B common stock, but forfeit its right and the right of its board designees to block such transactions. Moreover, the second amended and restated shareholder agreement will prohibit us from issuing shares of our Class B common stock to any person other than CUSA and its affiliates, and will provide CUSA with certain preemptive rights to acquire shares of our common stock in proportion to its then-existing ownership of our stock whenever we issue shares of stock or securities convertible into stock.

The foregoing description of the second amended and restated shareholder agreement is not meant to be complete and is qualified in its entirety by reference to the full text of the second amended and restated shareholder agreement. See Where You Can Find More Information.

New Term Loan Facility

J.P. Morgan Securities Inc. and Lehman Brothers Inc., who are the underwriters of this offering, have agreed to provide DHI with a new, fully underwritten $150 million term loan facility (the Term Loan Facility). The Term Loan Facility, which will be structured as a new tranche under DHI s fourth amended and restated credit agreement discussed below and which is conditioned upon our consummation of this offering, will mature on the earlier of the business day that is five business days after the consummation of the sale of our Rockingham facility (see Pending Sale of Rockingham Facility below) or January 31, 2012. Borrowings under the Term Loan Facility will bear interest at the relevant Eurodollar rate plus a ratings-based margin of 175 basis points or the relevant base rate plus a ratings-based margin of 75 basis points. The margin payable for borrowings under the Term Loan Facility will decrease upon meeting specified improvements in Standard and Poor s and Moody s credit ratings for DHI s fourth amended and restated credit agreement discussed below.

DHI will use a portion of its borrowings under the Term Loan Facility to pay us a special, one-time cash dividend in the amount of $50 million (the DHI Dividend). DHI will use its remaining borrowings under the Term Loan Facility for working capital and general corporate purposes pending the sale of our Rockingham generation facility. See Pending Sale of Rockingham Facility below.

We intend to use the DHI Dividend, together with the net proceeds of this offering and cash on hand, to pay the redemption price for our Series C convertible preferred stock. See Use of Proceeds. We expect to repay DHI s borrowings under the Term Loan Facility with the net proceeds from the sale of our Rockingham generation facility. See Pending Sale of Rockingham Facility below.

Pending Sale of Rockingham Facility

On May 21, 2006, we entered into an agreement with Duke Energy pursuant to which we agreed to sell our Rockingham generation facility for a cash purchase price of $195 million, subject to customary closing adjustments. We expect the closing of this sale to occur in the fourth quarter of 2006, subject to certain regulatory approvals and satisfaction of customary closing conditions. We expect to use a portion of the sale proceeds to repay DHI s borrowings under the Term Loan Facility. For fiscal year 2005 and the first quarter of 2006, less than one percent of our revenues were derived from the Rockingham facility.

Convertible Debenture Exchange

On May 16, 2006, we converted all $225 million of our outstanding 4.75% Convertible Subordinated Debentures due 2023 into shares of our Class A common stock (the Convertible Debenture Exchange). In this transaction, we issued an aggregate of 54,598,369 shares of our Class A common stock and paid the debenture holders an aggregate of $46.3 million in premiums and accrued and unpaid interest using cash on hand.

Credit Agreement

On April 19, 2006, we and DHI entered into a fourth amended and restated credit agreement (the Credit Agreement) with Citicorp USA, Inc. and JPMorgan Chase Bank, N.A, as co-administrative agents and lenders, and the other financial institutions parties thereto as lenders. The Credit Agreement, which provides for a $470 million revolving credit facility (the Revolving Credit Facility) and a new $200 million term letter of credit facility (the Term L/C Facility), is secured by substantially all of the assets of DHI, as borrower, and certain of its subsidiaries, as subsidiary guarantors, and certain of the assets of Dynegy, as parent guarantor. The Credit Agreement replaced DHI s third amended and restated credit agreement entered into on March 6, 2006, which in turn had replaced DHI s former cash-collateralized letter of credit facility with a $400 million revolving credit facility, thereby permitting the return to DHI of $335 million (plus accrued interest) in cash collateral securing DHI s former letter of credit facility. Letters of credit issued under DHI s former letter of credit facility were continued under the Credit Agreement.

The Revolving Credit Facility matures on April 19, 2009, and the Term L/C Facility matures on January 31, 2012. Borrowings under both the Revolving Credit Facility and Term L/C Facility bear interest at the relevant Eurodollar rate plus a ratings-based margin of 175 basis points or the relevant base rate plus a ratings-based margin of 75 basis points. Letters of credit can be issued under the Revolving Credit Facility at a ratings-based rate of 175 basis points. An unused commitment fee of 50 basis points is payable on the unused portion of the Revolving Credit Facility. The margin payable for borrowing, the rate payable for letters of credit and the unused commitment fee will decrease upon meeting specified improvements in Standard and Poor s and Moody s credit ratings for the Credit Agreement.

Dynegy Holdings Inc. Debt Refinancing

On April 12, 2006, DHI completed a tender offer and consent solicitation (the SPN Tender Offer) in which it purchased approximately $150 million of DHI s $225 million outstanding Second Priority Senior Secured Floating Rate Notes due 2008 (the 2008 Notes), substantially all $625 million of DHI s outstanding 9.875% Second Priority Senior Secured Notes due 2010 (the 2010 Notes) and all $900 million of DHI s outstanding 10.125% Second Priority Senior Secured Notes due 2013 (collectively with the 2008 Notes and the 2010 Notes, the Second Priority Notes). In the aggregate, DHI purchased approximately $1,664 million of Second Priority Notes for aggregate consideration, including consent fees and accrued interest, of $1,904 million.

In connection with the SPN Tender Offer, DHI amended the indenture under which the Second Priority Notes were issued. The amendments eliminated or modified substantially all of the restrictive covenants, certain events of default and related provisions and released certain liens securing the obligations of DHI and the guarantors of the Second Priority Notes. The remaining outstanding 2008 Notes and 2010 Notes are each redeemable at the option of DHI in accordance with the terms of the indenture governing the Second Priority Notes. DHI currently intends to call for redemption, on or after July 15, 2006, any remaining outstanding 2008 Notes at the redemption price of $1,030.00 per $1,000 principal amount thereof, plus accrued and unpaid interest to the redemption date. Any such notice of redemption will be given in accordance with the applicable provisions of the indenture. DHI may ultimately determine not to effect the 2008 Notes Redemption. Pursuant to the indenture governing the Second Priority Notes, the 2010 Notes are redeemable at the option of DHI on or after July 15, 2007 at the redemption price of $1,049.38 per $1,000 principal amount thereof, plus accrued and unpaid interest to the redemption date.

DHI Senior Notes Offering

On April 12, 2006, DHI issued $750 million aggregate principal amount of its 8.375% Senior Unsecured Notes due 2016 (New Senior Notes) in a private offering (the Senior Notes Offering). The New Senior Notes are not redeemable at DHI s option prior to maturity. The New Senior Notes are DHI s senior unsecured obligations and rank equal in right of payment to all of DHI s existing and future senior unsecured indebtedness, and are senior to all of DHI s existing and any of its future subordinated indebtedness. We have not guaranteed the New Senior Notes, and the assets and operations that we own through subsidiaries other than DHI (principally our Independence plant) do not support the New Senior Notes. The proceeds from the Senior Notes Offering, together with cash on hand, were used to fund the SPN Tender Offer.

Recent Acquisition and Sale

On March 31, 2006, we completed the purchase of NRG s 50% interest in the limited liability company that owns the Rocky Road facility, and NRG completed the purchase of our interest in WCP (Generation) Holdings LLC. We received net proceeds from the transactions of approximately $160 million.

Termination of Sterlington Toll Contract

On December 23, 2005, we and our wholly-owned subsidiary Dynegy Power Marketing Inc. (DYPM) entered into an agreement with Quachita Power LLC (Quachita), a joint venture of GE Energy Financial Services and Cogentrix Energy, Inc., to terminate our Sterlington long-term wholesale power tolling contract with Quachita (the Sterlington Toll Contract). The Sterlington Toll Contract, which was entered into on June 1, 2000, required DYPM to make certain fixed and variable payments to Quachita and, in return, Quachita committed to produce and deliver to DYPM electricity from its 835-megawatt Sterlington, Louisiana natural gas-fired power generating station. Under the terms of the agreement, which closed on March 7, 2006, we paid Quachita approximately $370 million to eliminate approximately $456 million in capacity payment obligations through 2012 and approximately $295 million in additional capacity payment obligations that would arise if Quachita exercised its option to extend the contract through 2017. We recorded a fourth quarter pre-tax charge of approximately $364 million (approximately $229 million after-tax) associated with this termination.

We were incorporated in Illinois in June 1999. Our principal executive office is located at 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, and our telephone number at that office is (713) 507-6400. Our Internet website is located at www.dynegy.com. Except for such reports that may be specifically incorporated by reference in this prospectus supplement or the accompanying prospectus, the information on, or accessible through, our website is not a part of, or incorporated by reference in, this prospectus supplement or the accompanying prospectus.

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THE OFFERING

Class A common stock we are offering	35,000,000 shares
Class A common stock to be outstanding after this offering	395,228,488 shares(1)
Option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to an additional 5,250,000 shares of our Class A common stock at the public offering price, less underwriting discounts and commissions.
Class B common stock outstanding	96,891,014 shares(2)
Total Class A and Class B common stock to be outstanding after this offering	492,119,502 shares(1)
Conditions	This offering is conditioned upon the consummation of the Term Loan Facility.
Use of proceeds	We estimate that our net proceeds from this offering, assuming no exercise by the underwriters of their option to purchase additional shares of our Class A common stock, will be approximately $164 million, assuming an offering price of $4.92 per share. We expect to use the net proceeds from this offering, together with cash on hand and the DHI Dividend, to redeem all of our Series C convertible preferred stock for approximately $404.3 million (comprised of the aggregate liquidation preference of $400 million plus accrued and unpaid dividends through the anticipated date of redemption). See Use of Proceeds.
NYSE symbol	DYN

(1) The number of shares of our common stock outstanding after this offering is based on the number of shares of our Class A common stock outstanding as of April 30, 2006 plus the 54,598,369 shares of our Class A common stock issued in the Convertible Debenture Exchange, assumes that the underwriters option to purchase additional shares of our Class A common stock is not exercised and excludes:

- 9,021,144 shares of Class A common stock issuable upon the exercise of outstanding stock options with a weighted average exercise price of $13.60 per share; and

- 17,666,468 shares of Class A common stock that remain available for additional grants under our various long term incentive compensation plans.

(2) CUSA owns all of our outstanding Class B common stock. Class B shares are convertible into Class A shares on a one-for-one basis under the circumstances described under Description of Capital Stock Class A Common Stock and Class B Common Stock Conversion.

RISK FACTORS

You should carefully consider all information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. In particular, you should evaluate the specific risk factors relating to an investment in our Class A common stock set forth in the section entitled Risk Factors beginning on page S-15.

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SUMMARY HISTORICAL AND UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED FINANCIAL DATA

The following summary historical condensed consolidated financial data as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 has been derived from our historical consolidated financial statements incorporated by reference in this prospectus supplement. The following summary historical condensed consolidated financial data as of December 31, 2003 has been derived from our historical consolidated financial statements which are not included in, or incorporated by reference in, this prospectus supplement. The following summary historical condensed consolidated financial data as of March 31, 2006 and for the three months ended March 31, 2005 and 2006 has been derived from our unaudited condensed consolidated financial statements incorporated by reference in this prospectus supplement. Our unaudited condensed consolidated financial statements were prepared on a basis consistent with that used in preparing our audited consolidated financial statements and include all material adjustments that, in the opinion of management, are necessary for a fair presentation of our financial position and results of operations for the unaudited periods.

The following summary unaudited pro forma statement of operations data for the year ended December 31, 2005 and for the three months ended March 31, 2006 gives effect to this offering, the redemption of our Series C convertible preferred stock, the Term Loan Facility, the Term L/C Facility, the SPN Tender Offer, the New Senior Notes and the Convertible Debenture Exchange, in each case as if each transaction had been consummated on January 1, 2005. The following summary unaudited pro forma balance sheet data as of March 31, 2006 gives effect to this offering, the redemption of our Series C convertible preferred stock, the Term Loan Facility, the Term L/C Facility, the Revolving Credit Facility, the SPN Tender Offer, the New Senior Notes and the Convertible Debenture Exchange, in each case as if each transaction had been consummated on March 31, 2006.

The summary unaudited pro forma condensed consolidated financial data for the year ended December 31, 2005 and as of and for the three months ended March 31, 2006 is based on certain assumptions and adjustments and do not purport to reflect what our actual results of operations and financial position would have been had each such transaction in fact occurred (i) as of January 1, 2005 (in the case of the summary unaudited pro forma condensed consolidated statement of operations data for the year ended December 31, 2005 and the three months ended March 31, 2006) or (ii) as of March 31, 2006 (in the case of the summary unaudited pro forma condensed consolidated balance sheet data as of March 31, 2006), nor are they necessarily indicative of the results of operations that we may achieve in the future.

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The summary historical condensed consolidated financial data and unaudited pro forma condensed consolidated financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 incorporated by reference in this prospectus supplement. The summary unaudited pro forma condensed consolidated financial data set forth below should also be read in conjunction with Unaudited Pro Forma Condensed Consolidated Financial Data beginning on page S-37. Historical results are not necessarily indicative of results that may be expected for any future period. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, includes restatements of (i) our consolidated balance sheet and consolidated statement of stockholders equity as of December 31, 2005 and our consolidated statements of operations, cash flows and comprehensive income (loss) for the year ended December 31, 2005 and (ii) our consolidated balance sheet and consolidated statement of stockholders equity as of December 31, 2004 and periods prior to 2004. These statements are reflected in all periods presented in this prospectus supplement.

	Year ended December 31,			Pro forma year ended December 31,	Three months ended March 31,		Pro forma three months ended March 31,
	2003	2004	2005	2005	2005	2006	2006
				(unaudited)	(unaudited)		(unaudited)
	(in millions, except per share data)						
Statement of operations data:							
Revenues	$ 2,599	$ 2,451	$ 2,313	$ 2,313	$ 462	$ 600	$ 600
Depreciation and amortization expense	(373)	(235)	(220)	(220)	(55)	(60)	(60)
Goodwill impairment	(311)						
Impairment and other charges	(225)	(78)	(46)	(46)	1	(2)	(2)
General and administrative expenses	(315)	(330)	(468)	(468)	(263)	(51)	(51)
Operating income (loss)	(769)	(100)	(838)	(838)	(385)	78	78
Debt conversion expense				(283)			
Interest expense	(503)	(453)	(389)	(284)	(89)	(98)	(72)
Income tax benefit (expense)	296	172	395	454	174	(3)	(12)
Income (loss) from continuing operations	(813)	(180)	(804)	(923)	(294)	(1)	16
Basic earnings (loss) per share from continuing operations	$ 0.53	$ (0.53)	$ (2.13)	$ (1.94)	$ (0.79)	$ (0.01)	$ 0.03
Diluted earnings (loss) per share from continuing operations	$ 0.50	$ (0.53)	$ (2.13)	$ (1.94)	$ (0.79)	$ (0.01)	$ 0.03
Weighted average shares outstanding for basic EPS calculation	374	378	387	477	379	400	490
Weighted average shares outstanding for diluted EPS calculation	423	504	513	479	505	526	492

	As of December 31,			As of March 31, 2006	
	2003	2004	2005	Actual	Pro Forma
				(unaudited)	
	(in millions, except per share data)				
Balance sheet data:					
Current assets	$ 3,074	$ 2,728	$ 3,706	$ 2,759	$ 1,452
Current liabilities	2,450	1,802	2,116	987	948
Property and equipment, net	8,178	6,130	5,323	5,366	5,366
Total assets	12,801	9,843	10,126	8,870	7,746
Long-term debt (excluding current portion)	5,893	4,332	4,228	4,214	3,421
Notes payable and current portion of long-term debt	331	34	71	70	70
Total stockholders equity	1,975	1,956	2,140	2,139	2,348
Book value per basic shares outstanding(a)	$ 5.24	$ 5.12	$ 5.32	$ 5.29	$ 4.75

(a) Basic shares outstanding at December 31, 2003, 2004 and 2005 and at March 31, 2006 were approximately 377 million, 382 million, 402 million and 404 million, respectively. Basic shares outstanding for the pro forma three months ended March 31, 2006 were approximately 494 million, including the additional shares relating to this offering and additional shares issued in connection with the Convertible Debenture Exchange.

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RISK FACTORS

Risks Related to Our Business

Future changes in commodity prices may materially adversely impact our financial condition, results of operations and cash flows.

The price we can obtain for the sale of power may not rise at the same rate, or may not rise at all, to match a rise in fuel costs. Our profitability depends in large part on the difference between the price of power and the price of fuel used to generate power, or spark spread. Prices for both electricity and fuel have been very volatile in the past year and the prices for electricity, coal, natural gas and fuel oil are significantly higher than they were two years ago. Changes in market prices for natural gas, coal and fuel oil may result from many factors, including the following:

- weather conditions, including deviations from average temperatures and major weather events, such as hurricanes;
- seasonality;
- demand for energy commodities and general economic conditions, including the demand for fuel;
- disruption of electricity, gas or coal transmission or transportation, storage, infrastructure or other constraints or inefficiencies;
- the addition of new generating capacity or the retirement of existing generating capacity, or the temporary unavailability of generating capacity for maintenance and other reasons;
- availability of competitively priced alternative energy sources;
- availability and levels of storage and inventory for fuel stocks;
- natural gas, crude oil, refined products and coal production levels;
- the creditworthiness or bankruptcy or other financial distress of market participants;
- changes in market liquidity;
- natural disasters, wars, embargoes, acts of terrorism and other catastrophic events; and
- federal, state and foreign governmental regulation and legislation including regulatory-imposed price caps.

Adverse changes in market prices for fuel, and a resulting negative impact on market prices for power, could materially adversely impact our financial condition, results of operations and cash flows.

Because our power generation facilities operate mostly without long-term power sales agreements and because wholesale power prices are subject to significant volatility, our revenues and profitability are subject to significant fluctuations.

Most of our facilities operate as merchant facilities without long-term sales agreements. Without long-term power agreements, we cannot be sure that we will be able to sell any or all of the electric energy, capacity or ancillary services from our facilities at commercially attractive rates or that our facilities will be able to operate profitably. This could lead to decreased financial results as well as future impairments of our property, plant and equipment or to the retirement of certain of our facilities resulting in economic losses and liabilities.

Because we largely sell electric energy, capacity and ancillary services into the wholesale energy spot market or into other power markets on a short-term basis, we are not guaranteed any rate of return on our capital investments. Rather, our financial condition, results of operations and cash flows are likely to depend, in large part, upon prevailing market prices for power and the fuel to generate such power. Wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable.

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Given the volatility of power commodity prices, to the extent we do not secure long-term sales agreements for the output of our power generation facilities, our revenues and profitability will be subject to increased volatility, and our financial condition, results of operations and cash flows could be materially adversely affected.

Because we generally do not hedge our long-term exposure to commodity price risks, we are vulnerable to decreases in power prices and increases in the price of natural gas, coal and fuel oil. To the extent we do engage in hedging activities, our models representing the market may be inaccurate.

We generally do not hedge our long-term exposure to commodity price risks. To the extent we are unable to mitigate our exposure to a diminishing spark spread, our financial condition, results of operations and cash flows may be materially adversely affected. In those instances where we do implement a hedging strategy, our internal models may not accurately represent the markets in which we participate, potentially causing us to make less favorable decisions.

Unauthorized hedging and related activities by our employees could result in significant losses.

Although we are exiting the CRM business and have adopted a strategy of entering into only limited hedges of our generation output, we continue to enter into some primarily short-term hedging and other risk management transactions relating to our physical production. We have adopted various internal policies and procedures designed to monitor these activities and positions to ensure that we maintain an overall position that is substantially balanced between our physical assets as compared to our purchase and sales commitments. These policies and procedures are designed, in part, to prevent unauthorized purchases or sales of products by our employees. We cannot assure, however, that these steps will detect and prevent all violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

We are exposed to the risk of fuel and fuel transportation cost increases and interruptions in fuel supplies because some of our facilities do not have long-term coal, natural gas, or liquid fuel supply agreements.

Many of our power generation facilities purchase their fuel requirements under short-term contracts or on the spot market. Although we attempt to purchase fuel based on our known fuel requirements, we still face the risks of supply interruptions and fuel price volatility as fuel deliveries may not exactly match that required for energy sales, due in part to our need to pre-purchase fuel inventories for reliability and dispatch requirements.

Operation of many of our coal-fired generation facilities is highly dependent on our ability to procure coal. Power generators in the Midwest and the Northeast have experienced significant pressures on available coal supplies that are either transportation or supply related. While we believe our physical inventories and contractual commitments provide us with a stable coal supply, we are subject to physical delivery risks outside of our control. If we are unable to procure fuel for physical delivery at prices we consider favorable, our financial condition, results of operations and cash flows could be materially adversely affected.

Availability and cost of emission credits could materially impact our costs of operations.

In the ordinary course of operating our power generating facilities, we must maintain, either by allocation or purchase, sufficient emission credits to support our operations. We use these credits to comply with emission caps imposed by various environmental laws under which we must operate. As individual credits are used, costs are recognized as operating expense. If we are unable to purchase sufficient emission credits to match our operational needs, we may have to curtail our operations such that we do not exceed our permitted emission caps. If such credits are available for purchase, but only at significantly higher prices, the purchase of such credits could materially increase our costs of operations in the affected markets.

Competition in wholesale power markets, together with an oversupply of power generation capacity, may have a material adverse effect on our financial condition, results of operations and cash flows.

We have numerous competitors and additional competitors may enter the industry. Our power generation business competes with other non-utility generators, as well as regulated utilities, unregulated subsidiaries of regulated utilities and other energy service companies in the sale of energy, as well as in the procurement of fuel,

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transmission services and transportation services. Aggregate demand for power may be met by generation capacity based on several competing technologies, such as gas-fired, coal-fired or nuclear generation, as well as power generating facilities fueled by alternative or renewable energy sources, including hydroelectric power, synthetic fuels, solar, wind, wood, geothermal, waste heat and solid waste sources. Regulatory initiatives designed to enhance renewable generation could increase competition from these types of facilities.

Although demand for electric capacity and energy generally has been increasing throughout the United States, a buildup of new electric generation facilities in recent years has resulted in an overabundance of power generation capacity in the regional markets we serve.

We also compete against other energy merchants on the basis of our relative operating skills, financial position and access to credit sources. Energy customers, wholesale energy suppliers and transporters often seek financial guarantees, credit support such as letters of credit, and other assurances that their energy contracts will be satisfied. Companies with which we compete may have greater resources in these areas. In addition, many of our current facilities are relatively old. Newer plants owned by competitors are often more efficient than some of our plants, which may put some of our plants at a competitive disadvantage. Over time, some of our plants may become obsolete in their markets, or be unable to compete, because of the construction of new, more efficient plants.

Other factors may contribute to increased competition in wholesale power markets. New forms of capital and competitors have entered the industry in the last several years, including financial investors who perceive that asset values are at levels below their true replacement value. A number of generation facilities in the United States are now in the hands of lenders and investment companies. Furthermore, there have been several important mergers and asset reallocations in the industry, which could create powerful new competitors. Under any scenario, we anticipate that we will continue to face competition from numerous companies in the industry some of which have superior capital structures. Many companies in the regulated utility industry, with which the wholesale power industry is closely linked, are also restructuring or reviewing their strategies. Several of those companies are discontinuing their unregulated activities, seeking to divest their unregulated subsidiaries or attempting to have their regulated subsidiaries acquire assets out of their or other companies unregulated subsidiaries. This may lead to increased competition between the regulated utilities and the unregulated power producers within certain markets. The future of the wholesale power generation industry is unpredictable, but may include restructuring and consolidation within the industry, the sale, bankruptcy or liquidation of certain competitors, the re-regulation of certain markets or a long-term reduction in new investment into the industry. To the extent that competition increases, our financial condition, results of operations and cash flows may be materially adversely affected.

We anticipate that FERC will continue its efforts to facilitate the competitive energy marketplace throughout the country on several fronts but particularly by encouraging utilities to voluntarily participate in regional transmission organizations, or RTOs, and independent system operators, or ISOs, while state regulators will pursue their own initiatives. FERC is also reviewing ways in which it can encourage investment in transmission facilities and reform the rules and regulations governing access to the transmission grid, all of which could increase the number of competitors serving a given market. FERC s regulation of wholesale markets, including changes in the manner in which transmission rates are calculated, also could affect our competitive posture. These regulatory initiatives may include significant revisions to existing regulation of the electric utility industry or selected products and services in some markets. Industry deregulation and privatization may not only continue to facilitate the current trend toward consolidation in the utility industry but also may encourage desegregation of other vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, our industry may be restructured with new kinds of specialized companies competing with us. We may not be able to respond in a timely or effective manner to the many changes in the power industry that may occur as a result of regulatory initiatives to increase competition. We are not able to predict future changes in regulation or the effect of any such changes on the general electricity market or our financial condition, results of operations and cash flows.

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If we fail to implement our business strategy, our financial condition, results of operations and cash flows could be materially adversely affected.

Our future financial condition, results of operations and cash flows will depend in large part upon our ability to successfully implement our business strategy. Implementation of our business strategy could be affected by a number of factors beyond our control, such as increased competition, legal and regulatory developments, general economic conditions and energy price volatility in either electricity or fuel markets. As a result, we cannot be sure that we will be able to successfully implement our business strategy. In particular, we cannot be sure that we will be able to identify and pursue growth opportunities. Our ability to achieve our growth objectives and to effectively manage our growth will depend on a number of factors, including:

- our liquidity, including any collateral posting requirements to which we are subject, and our ability to attract capital and financing on acceptable terms;
- our ability to identify and pursue appropriate opportunities for growth; and
- our ability to integrate any new businesses into our operations and take advantage of potential synergies.

Any failure to successfully implement our business strategy could materially adversely affect our financial condition, results of operations and cash flows. We may, in addition, decide to alter or discontinue certain aspects of our business strategy from time to time due to our success or failure in the marketplace.

Our growth strategy may include acquisitions or combinations that could fail or present unanticipated problems for our business in the future, which could adversely affect our ability to realize anticipated benefits of those transactions and adversely affect our financial position and results of operations.

Our growth strategy may include acquiring or combining with other businesses. We may not be able to identify suitable acquisition or combination opportunities or finance and complete any particular acquisition or combination successfully. Furthermore, acquisitions and combinations involve a number of risks and challenges, including:

- diversion of management s attention;
- the need to integrate acquired or combined operations;
- potential loss of key employees;
- difficulty in evaluating the assets, operating costs, infrastructure requirements, environmental and other liabilities of acquired companies, and other factors beyond our control;
- potential lack of operating experience in new geographic/power markets;
- an increase in our expenses and working capital requirements; and

- the possibility that we may be required to issue a substantial amount of additional equity securities or incur additional debt to finance any such transactions.

Any of these factors could adversely affect our ability to achieve anticipated levels of cash flows or realize synergies or other anticipated benefits from a strategic transaction.

Furthermore, while we intend to pursue strategic transactions, the market for transactions is highly competitive, which may adversely affect our ability to find transactions that fit our strategic objectives. In pursuing our strategy, consistent with industry practice, we routinely engage in discussions with industry participants regarding potential transactions, large and small. We are currently engaged in discussions, although no definitive agreements have been reached. We intend to continue to engage in strategic discussions and we will need to respond to potential opportunities quickly and decisively. As a result, strategic transactions may occur at anytime and may be significant in size relative to our assets and operations.

The regional concentration of our business in the Midwest may increase the effects of adverse trends in that market.

A substantial portion of our business is located in the Midwest region of the United States. Changes in economic conditions in this market, including changing demographics, or oversupply of or reduced demand for power, could have a material adverse effect on our financial condition, results of operations and cash flows. A substantial portion of our net income is derived from our Baldwin facility. Any disruption of production at that facility could have a material adverse effect on our financial condition, results of operations and cash flows.

Under the terms of our current power purchase agreement with AmerenIP, which expires at the end of 2006, our Midwest coal plants are partially contracted to AmerenIP at a fixed price per megawatt hour. Beyond 2006, our results in the Midwest will be exposed to volatility in market prices, which could cause us to realize losses in a weak power price environment. For the first quarter of 2006, approximately 19% of our consolidated revenues were derived from transactions with AmerenIP.

We do not own, control or set the rates for the transmission facilities we use to deliver energy, capacity and ancillary services to our customers. Transmission capacity may not be available to us, the total costs of transmission may exceed our projections or cause us to forego transactions, and changes in the transmission grid could reduce our revenues.

We do not own or control the transmission facilities required to sell the wholesale power from our generation facilities. Furthermore, the rates for such transmission capacity are set by others and the market and thus are subject to changes, some of which could be significant. Transmission may not be available to support our contracted and short-term transactions, or the costs of such transmission may reduce our profits or make certain transactions unprofitable. Furthermore, changes in the transmission infrastructure within or connecting individual markets could reduce prices in those markets by increasing the amount of generating capacity competing to serve the same markets.

Our results of operations fluctuate on a seasonal and quarterly basis due to weather conditions.

We have historically sold less power and received lower prices for our products, and consequently earned less income, when weather conditions are milder. We expect that unusually mild weather in the future could diminish our results of operations and impair our financial condition. Weather conditions can affect both the prices we pay for fuel and the prices we receive for capacity, energy and other services, potentially increasing the volatility of our results of operations.

An event of loss and certain other events relating to our Dynegy Northeast Generation facilities could trigger a substantial obligation that would be difficult for us to satisfy.

We acquired the Dynegy Northeast Generation, or DNE, power generating facilities in January 2001 for $950 million. In May 2001, we entered into an asset-backed sale-leaseback transaction relating to these facilities to provide us with long-term acquisition financing. In this transaction, we sold for approximately $920 million four of six generating units comprising these facilities to Danskammer OL LLC and Roseton OL LLC, and we concurrently agreed to lease them back from these entities. We have no option to purchase the leased facilities at Roseton or Danskammer at the end of their lease terms, which end in 2035 and 2031, respectively. If one or more of the leases were to be terminated prior to the end of its term because of an event of loss, because it becomes illegal for the applicable lessee to comply with the lease, or because a change in law makes the facility economically or technologically obsolete, we would be required to make a termination payment in an amount sufficient to redeem the pass-through trust certificates related to the unit or facility for which the lease is terminated. As of March 31, 2006, the termination payment would be approximately $1 billion for all of our DNE facilities. If a termination of this type were to occur with respect to all of the DNE facilities, it could be difficult for us to raise sufficient funds to make this termination payment and therefore could have a material adverse effect on our financial condition, results of operations and cash flows.

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Refurbishment and operation of power generation facilities involve significant risks that cannot always be covered by insurance or contractual protections and could have a material adverse effect on our financial condition, results of operations and cash flows.

We are exposed to risks related to breakdown or failure of equipment and processes, shortages of equipment and supply of material and labor, and operating performance below expected levels of output or efficiency. Older equipment, even if maintained in accordance with good engineering practices, may require significant capital expenditures to keep it operating at optimum efficiency. This equipment is also likely to require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditures could result in reduced profitability. In addition, if we make any major modifications to our power generation facilities, as defined under the new source review provisions of the federal Clean Air Act, we may be required to install best available control technology or to achieve the lowest achievable emissions rate. Any such modifications would likely result in substantial additional capital expenditures.

In addition, at some point, older facilities may need to be retired or decommissioned. The costs of decommissioning can be affected by future changes in law and regulations, as well as deviations from the expected physical state of such facilities. Therefore, we cannot be certain that we have adequately predicted, or reserved for, the full costs of any such retirements or decommissionings.

We cannot predict the level of capital expenditures that will be required due to changes in applicable reliability requirements, deteriorating facility conditions and unexpected events (such as natural disasters or terrorist attacks). The unexpected requirement of large capital expenditures could have a material adverse effect on our financial condition, results of operations and cash flows. Further, construction, expansion, modification and refurbishment of power generation facilities may interrupt production at our facilities or result in unanticipated cost overruns and may be impacted by factors outside our control, including:

- supply interruptions;
- work stoppages;
- labor disputes;
- weather interferences; and
- unforeseen engineering, environmental and geological problems.

Our operations are subject to hazards customary to the power generation industry. We may not have adequate insurance or adequate contractual indemnities to cover all of these hazards.

We are subject to all risks inherent in the power generation industry. These risks include, but are not limited to, equipment breakdowns or malfunctions, explosions, fires, terrorist attacks, product spillage, weather, nature, and inadequate maintenance of rights-of-way, which could result in damage to or destruction of operating assets and other property, or could result in personal injury, loss of life or pollution of the environment, as well as curtailment or suspension of operations at the affected facility. We maintain general public liability, property/boiler and machinery and business interruption insurance in amounts that we consider to be appropriate for such risks. Such insurance is subject to deductibles and caps that we consider reasonable and not excessive given the current insurance market environment. Costs associated with these insurance coverages have increased significantly during recent periods and may continue to do so in the future. Occurrence of a significant event not fully insured or otherwise indemnified against by a third party, or the failure of a party to meet its indemnification obligations, could materially adversely affect our financial condition, results of operations and cash flows. While we currently maintain levels and types of insurance that we believe to be prudent under current insurance industry market conditions, our potential inability to maintain or secure these levels and types of insurance in the future could have a material adverse effect on our financial condition, results of operations and cash flows if an uninsured loss were to occur. No assurance can be given that we will be able to secure or maintain these levels of insurance in the future at rates we consider commercially reasonable.

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Our business is subject to complex government regulation. Changes in these regulations or in their implementation may affect the costs of operating our facilities or our ability to operate our facilities, which may negatively impact our results of operations.

We are subject to extensive federal, state and local laws and regulations governing the generation and sale of energy commodities, as well as the discharge of materials into the environment and otherwise relating to the environment, health and safety protection. Compliance with these laws and regulations requires general and administrative expenses (including legal representation before agencies) and monitoring, capital and operating expenditures, including those related to pollution control equipment, emission fees, remediation obligations and permitting at various operating facilities. Furthermore, these regulations are subject to change at any time, and we cannot predict what changes may occur in the future or how such changes might affect any facet of our business.

FERC has issued a series of rules and proposed rules to implement provisions of the Energy Policy Act of 2005 which affect the electric and natural gas industries. These rules and proposed rules include changes in FERC s review of mergers in the electricity sector, new provisions governing reliability in the electric sector, increased civil and criminal penalties for violations of relevant statutes and regulations and new regulations defining prohibited behavior and practices. FERC is also reviewing ways in which it can encourage investment in the transmission grid, changes in the rules governing access to that grid, and the operations of wholesale markets generally. These changes, combined with the repeal of the Public Utility Holding Company Act of 1935, will create further regulatory uncertainty.

Our costs for compliance with environmental laws are significant, and costs for compliance with new environmental laws could adversely affect our financial condition, results of operations and cash flows.

Our business is subject to extensive and frequently changing environmental regulation by federal, state and local authorities. Such environmental regulation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Existing environmental laws and regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions. Proposals currently under consideration, such as pending state and federal EPA regulatory proposals to regulate mercury emissions under Section 112 of the Clean Air Act or bills pending in Congress which would limit emissions of carbon dioxide and other so-called greenhouse gases, could, if and when adopted or enacted, require us to make substantial new capital and operating expenditures. If any of these events occur, our business, operations and financial condition could be materially adversely affected.

Many environmental laws require approvals or permits from governmental authorities before construction or modification of a project may commence or before wastes or other materials may be discharged into the environment. The process for obtaining necessary permits can be lengthy and complex and can sometimes result in the establishment of permit conditions that make the project or activity for which the permit was sought either unprofitable or otherwise unattractive. Even where permits are not required, compliance with environmental laws and regulations can require significant capital and operating expenditures. We are required to comply with numerous environmental laws and regulations, and to obtain numerous governmental permits when we are constructing, modifying and operating our facilities. Certain of our facilities, including our Baldwin facility, are also required to comply with the terms of consent decrees or other governmental orders. A consent decree relating to violations of the Clear Air Act at our Baldwin facility was approved by the court on May 27, 2005. This consent decree requires us to install, among other things, additional emission controls at our Baldwin, Vermilion and Havana plants. Thus, we expect to incur significant additional costs to comply with these requirements in the future. If we fail to comply with these requirements, we could be subject to civil or criminal liability and fines or could be forced to curtail or cease operations. In addition, we may be required to incur costs to remediate contamination from past releases of hazardous substances or wastes into the environment in

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connection with currently or previously owned or operated properties and any other properties at which we have generated, stored, disposed, treated or arranged for disposal of hazardous substances. Failure to comply with these statutes, rules and regulations may result in the assessment of administrative, civil and even criminal penalties. Furthermore, the failure to obtain or renew an environmental permit could prevent operation of one or more of our facilities. Existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to us or our facilities in a manner that may have a detrimental effect on our business. With the continuing trend toward stricter standards, greater regulation and more extensive permitting requirements, we expect that our capital and operating environmental expenditures will continue to be substantial and may increase in the future. We may not be able to obtain or maintain from time to time all required environmental regulatory permits or other approvals that we need to operate our business. If there is a delay in obtaining any required environmental regulatory approvals or permits or if we fail to obtain and comply with them, the operation of our facilities may be interrupted or become subject to additional costs.

The emission of certain substances is subject to licensing programs, which allow the trading of licenses under certain conditions. The costs of buying any necessary licenses could vary and have a material adverse effect on our financial condition, results of operations and cash flows.

Different regional power markets in which we compete or may compete in the future have changing transmission regulatory structures, which could materially adversely affect our performance in these regions.

Our financial condition, results of operations and cash flows are likely to be affected by differences in market and transmission regulatory structures in various regional power markets. Problems or delays that may arise in the formation and operation of new or maturing RTOs and similar market structures, or changes in geographic scope, rules or market operations of existing RTOs, may affect our ability to sell, the prices we receive, or the cost to transmit power produced by our generating facilities. Rules governing the various regional power markets may also change from time to time which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, or how RTOs will develop or what regions they will cover, we are unable to assess fully the impact that these uncertainties may have on our business.

Acts of terrorism could have a material adverse effect on our financial condition, results of operations and cash flows.

Our generation facilities and the facilities of third parties on which we rely may be targets of terrorist activities, as well as events occurring in response to or in connection with such activities, that could result in full or partial disruption of the ability to generate, transmit or transport electricity or natural gas and/or cause environmental repercussions. Strategic targets, such as energy-related facilities, may be at greater risk of future terrorist activities than other domestic targets. Any such disruptions or environmental repercussions, if not covered by insurance, could result in a significant decrease in revenues or significant reconstruction or remediation costs, which could have a material adverse effect on our financial condition, results of operations and cash flows.

In the wake of the September 11, 2001 terrorist attacks on the United States, the Coast Guard has developed a security guidance document for marine terminals and has issued a security circular that defines appropriate countermeasures for protecting them and explains how the Coast Guard plans to verify that operators have taken appropriate action to implement satisfactory security procedures and plans. Using the guidelines provided by the Coast Guard, we have specifically identified our Havana, Danskammer and Roseton facilities as marine terminals and therefore potential terrorist targets. In compliance with the Coast Guard guidance, we performed vulnerability analyses on such facilities. Future analyses of our security measures may result in additional measures and procedures, which measures or procedures have the potential for increasing our costs of doing business. Regardless of the steps taken to increase security, however, we cannot be assured that these or other of our facilities will not become the subject of a terrorist attack.

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Our financial condition, results of operations and cash flows could be adversely impacted by strikes or work stoppages by our unionized employees.

As of March 31, 2006, approximately 63% of the employees at Dynegy-operated facilities were subject to collective bargaining agreements with various unions that expire in 2007 and 2008. If our union employees strike, participate in a work stoppage or slowdown or engage in other forms of labor strife or disruption, we would be responsible for procuring replacement labor or we could experience reduced power generation or outages. Our ability to procure such labor is uncertain. Strikes and work stoppages or our inability to negotiate future collective bargaining agreements on favorable terms could have a material adverse effect on our financial condition, results of operations and cash flows.

We have reported two material weaknesses in our internal control over financial reporting, one of which caused a restatement, and both of which, if not remedied, could continue to adversely affect our internal controls and financial reporting.

In connection with our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, our management concluded that, as of December 31, 2005, we did not maintain effective internal control over our financial reporting due to a material weakness in our processes, procedures and controls related to the preparation, analysis and recording of the income tax provision. Our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 was audited by PricewaterhouseCoopers LLP, which expressed an unqualified opinion on management s assessment and an adverse opinion on the effectiveness of our internal control over financial reporting as of December 31, 2005.

Likewise, in connection with our management s assessment of the effectiveness of our internal control over financial reporting as of March 31, 2006, our management concluded that, as of March 31, 2006, we did not maintain effective internal control over our financial reporting due to the same material weakness in our processes, procedures and controls related to the preparation, analysis and recording of the income tax provision. Also in connection with our management s assessment as of March 31, 2006, our management concluded that, as of March 31, 2006, we did not maintain effective internal control over our financial reporting due to a material weakness in our processes, procedures and controls related to the calculation and analysis of our risk management asset and liability balances. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements would not be prevented or detected.

We previously reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 that we did not maintain effective internal control over our financial reporting as of December 31, 2004 due to the same material weakness in our processes, procedures and controls related to the preparation, analysis and recording of the income tax provision. During 2005, actions were taken to remediate this material weakness. Despite these efforts, when making management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, we determined that those processes and controls were still not operating effectively. This control deficiency resulted in the restatement of our 2004 and 2003 annual consolidated financial statements, as well as year-end audit adjustments to the 2005 income tax provision. This control deficiency also resulted in the restatement of our consolidated financial statements for the year ended December 31, 2005, as reported in Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 incorporated by reference in this prospectus supplement. Further, this control deficiency could have resulted in a misstatement of the income tax provision and related deferred tax accounts and disclosures that would result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

The material weakness related to the calculation and analysis of our risk management asset and liability balances resulted in an adjustment to our condensed consolidated financial statements as of and for the three months ended March 31, 2006 prior to being reported in our Quarterly Report on Form 10-Q for the quarterly

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period ended March 31, 2006 incorporated by reference in this prospectus supplement. Further, this control deficiency could result in a misstatement of revenue and the related risk management asset and liability balances that would result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

We have taken steps to remediate the material weakness related to the preparation, analysis and recording of the income tax provision, and plan to take additional steps during 2006. Moreover, in order to remediate the material weakness related to the calculation and analysis of our risk management asset and liability balances, we plan to implement additional controls around our risk management asset and liability valuation process. Although we believe we will address both of the material weaknesses with the remedial measures we have implemented and plan to implement, the measures we have taken to date and our future measures may not remediate either of the material weaknesses and we may not be able to implement and maintain effective internal control over our financial reporting in the future. In addition, additional deficiencies in our internal controls may be discovered in the future.

Any failure to remediate either or both of these material weaknesses or to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure also could affect the ability of our management to certify that our internal controls are effective when it provides an assessment of our internal control over financial reporting, and could affect the results of our independent registered public accounting firm s attestation report regarding our management s assessment. Inferior internal controls and further related restatements could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Risks Related to Our Common Stock

Our stock price has been volatile historically and may continue to be volatile. The price of our Class A common stock may fluctuate significantly.

The trading price of our Class A common stock has been and may continue to be subject to wide fluctuations. Since January 1, 2003, the closing sale price of our Class A common stock on the NYSE has ranged from $1.29 to $5.72 per share. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating or financial results, actions by various regulatory agencies, litigation, market perceptions of our financial reporting, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, news reports relating to us or trends in our industry or general economic conditions.

Provisions of the Illinois Business Corporation Act and our organizational documents may discourage an acquisition of us.

Our organizational documents and the Illinois Business Corporation Act (the IBCA) both contain provisions that will impede the removal of our directors and may discourage a third party from making a proposal to acquire us. For example, our board may, without the consent of our stockholders, issue preferred stock with greater voting rights than our Class A common stock. The existence of these provisions may also have a negative impact on the price of our Class A common stock. See Description of Capital Stock Class A Common Stock and Class B Common Stock Anti-Takeover Effects of Illinois Law for greater detail on the anti-takeover effects of the IBCA.

We have significant debt that could negatively impact our business.

Dynegy has and will continue to have a significant amount of debt outstanding. As of March 31, 2006, on a pro forma basis, we had total consolidated debt (including lease obligations) of $4.3 billion, which consisted of our senior unsecured notes and other debt, including other secured and unsecured facilities and certain operating leases of our subsidiaries. Our significant level of debt could:

- make it difficult to satisfy our financial obligations, including debt service requirements;
- limit our ability to obtain additional financing to operate our business;
- limit our financial flexibility in planning for and reacting to business and industry changes;
- impact the evaluation of our creditworthiness by counterparties to commercial agreements and affect the level of collateral we are required to post under such agreements;
- place us at a competitive disadvantage compared to less leveraged companies;
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates and volatility in commodity prices; and
- require us to dedicate a substantial portion of our cash flows to payments on our debt, thereby reducing the availability of our cash flow for other purposes including our operations, capital expenditures and future business opportunities.

Although we recently completed a series of liability management transactions, we remain highly leveraged. Furthermore, we may incur additional indebtedness in the future. In addition, to pay us the DHI Dividend and to provide DHI with cash for working capital and general corporate purposes pending the sale of our Rockingham generation facility, DHI intends to borrow $150 million under the Term Loan Facility (see Summary Recent Developments New Term Loan Facility). If new debt is added to our current debt levels and those of our subsidiaries, the related risks that we and they face could increase significantly.

We expect that our non-investment grade status will continue to adversely affect our financial condition, results of operations and cash flows.

Our credit ratings are currently below investment grade and could be downgraded further. Our current non-investment grade ratings increase our borrowing costs, both by increasing the actual interest rates we are required to pay under any existing indebtedness and any debt in the capital markets that we are able to issue. Our credit ratings also require us to either prepay or post significant amounts of collateral in the form of cash and letters of credit to support our business. We cannot be sure that our credit ratings will improve, or that they will not decline, in the future.

Additionally, our non-investment grade status limits our ability to refinance our debt obligations and to access the capital markets. Should our ratings continue at their current levels, or should our ratings be further downgraded, we would expect these negative effects to continue and, in the case of a downgrade, become more pronounced.

Covenants in our financing agreements impose significant restrictions on us and we may be unable to comply with these covenants.

Our secured debt obligations require us to meet specific financial tests to issue debt and make restricted payments, among other things. Further, the senior debt associated with the Sithe Independence indenture prohibits cash distributions by Independence to its affiliates, including Dynegy, unless certain project reserve accounts are funded to specified levels and the required debt service coverage ratio is met. Our ability to comply with the covenants in our financing agreements, as they currently exist or as they may be amended, may be affected by many events beyond our control, and our future operating results may not allow us to comply with the covenants, or in the event of a default, to remedy that default. Our failure to comply with those financial covenants or to comply with the other restrictions in our financing agreements could result in a default, requiring such financing agreements (and by reason of cross-default or cross-acceleration provisions, our other indebtedness) to become immediately due and payable. If we are unable to repay those amounts or to otherwise

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cure the default, the holders of the indebtedness under our secured debt obligations could proceed against the collateral granted to them to secure that indebtedness. If those lenders accelerate the payment of such indebtedness, we cannot assure you that we could pay or refinance that indebtedness immediately and continue to operate our business.

Our access to the capital markets may be limited.

We may require additional capital from outside sources from time to time. The timing of any capital-raising transaction may be impacted by unforeseen events, such as strategic growth opportunities, legal judgments or regulatory requirements, which could require us to pursue additional capital in the near term. Our ability to obtain capital and the costs of such capital are dependent on numerous factors, including:

- general economic and capital market conditions;
- covenants in our existing debt and credit agreements;
- credit availability from banks and other financial institutions;
- investor confidence in us and the regional wholesale power markets;
- our financial performance and the financial performance of our subsidiaries;
- our levels of indebtedness;
- our requirements for posting collateral under various commercial agreements;
- our maintenance of acceptable credit ratings;
- our cash flow;
- provisions of tax and securities laws that may impact raising capital; and
- our long-term business prospects.

We may not be successful in obtaining additional capital for these or other reasons. The failure to obtain additional capital from time to time may have a material adverse effect on our financial condition, results of operations and cash flows, and on our ability to execute our business strategy. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for future growth.

We may not have adequate liquidity to post required amounts of additional collateral.

We use a significant portion of our capital resources, in the form of cash and letters of credit, to satisfy counterparty collateral demands. These counterparty collateral demands reflect our non-investment grade credit ratings and the counterparties views of our creditworthiness, as well as changes in commodity prices. If commodity prices change substantially, our liquidity could be severely strained by requirements under our commodity agreements to post additional collateral. In certain cases, our counterparties have elected to not require the posting of collateral to which they are otherwise entitled under certain agreements. However, those counterparties retain the right to request the posting of such collateral. Factors that could trigger increased demands for collateral include additional adverse changes in our industry, negative regulatory or litigation developments, adverse events affecting us, changes in our credit rating or liquidity, and changes in commodity prices for power and fuel. In addition, to the extent we do hedge against volatility in commodity prices, we may be exposed to additional collateral requirements without adequate liquidity to post required amounts of additional collateral. An increase in demands from our counterparties to post letters of credit or cash collateral may have a material adverse effect on our financial condition, results of operations and cash flows.

The ultimate outcome of unresolved legal proceedings and investigations relating to our past activities cannot be predicted. Any adverse determination could have a material adverse effect on our financial condition, results of operations and cash flows.

We are, or have in recent years been, a party to various material litigation matters and regulatory matters arising out of our business operations. These matters include, among other things, certain actions and investigations by the FERC and related regulatory bodies, litigation with respect to alleged actions in the western power and natural gas markets, a number of securities class action lawsuits that were settled in 2005, purported class action suits with respect to alleged violations of the Employment Retirement Income Security Act and various other matters. The ultimate outcome of pending matters cannot presently be determined, nor can the liability that could potentially result from a negative outcome in each case reasonably be estimated. Three significant matters are described below:

DNE is involved in litigation or administrative proceedings regarding the State Pollutant Discharge Elimination System, or SPDES, permits for two of our facilities, Roseton and Danskammer, in New York. In April 2005, the New York State Department of Environmental Conservation, or NYSDEC, issued to DNE a draft SPDES Permit for the Roseton plant. The draft SPDES Permit contains provisions governing, among other things, the cooling water intake and the discharge of heated effluent water. In mid-2005, three organizations filed petitions for party status seeking to impose a permit requirement that the Roseton plant install a closed cycle cooling system. We believe that petitioners claims are without merit; however, given the high cost of installing a closed cycle cooling system, an adverse result in this proceeding could have a material adverse effect on our financial condition, results of operations and cash flows.

Danskammer s SPDES Permit was issued for a five-year term in 1987. Prior to expiration of the permit, an application to renew the SPDES Permit was filed. In November 2002, several environmental groups filed suit in the Supreme Court of the State of New York seeking, among other things, a declaratory judgment that the Danskammer SPDES Permit had expired because of alleged deficiencies in the renewal application process. In August 2004, the Court ruled that the SPDES Permit for our Danskammer facility was void, but stayed the enforcement of the decision pending further review by the Court or by the Appellate Division. In April 2006, the Appellate Division reversed the trial court and dismissed the case. The Court ruled that the environmental groups challenges to the extension of the SPDES Permit were barred by the applicable statue of limitations. If petitioners appeal and are ultimately successful, we may be required to suspend operations at our Danskammer facility until receipt of final approval of the renewal of our Danskammer SPDES Permit. We cannot predict with any certainty the outcome of this proceeding; however, an adverse outcome, particularly a requirement that we suspend operations at our Danskammer facility for any period of time, could have a material adverse effect on our financial condition, results of operations and cash flows.

We are a party to various suits that claim damages resulting from the alleged manipulation of gas index publications and prices by us and others. In each of these suits, the plaintiffs allege that we and other energy companies engaged in an illegal scheme to inflate natural gas prices by providing false information to gas index publications. All of the complaints rely heavily on the FERC and CFTC investigations into and reports concerning index-reporting manipulation in the energy industry. We cannot predict with certainty whether we will incur any liability in connection with these lawsuits; however, given the nature of the claims and the high costs of recent settlements of similar matters, an unfavorable result in any of these pending matters could materially adversely affect our financial condition, results of operations and cash flows.

Shortly before Enron s bankruptcy filing in the fourth quarter of 2001, we determined that we had net exposure to Enron Corp. and its affiliates, including certain liquidated damages and other amounts relating to the termination of commercial transactions among the parties, of approximately $84 million. This exposure was calculated by setting off approximately $230 million owed from Dynegy entities to Enron entities against approximately $314 million owed from Enron entities to Dynegy entities. The master netting agreement between Enron and us and the valuation of the commercial transactions covered by the agreement, which valuation is based principally on the parties assessment of market prices for such period, remain subject to dispute. We previously mediated this dispute but no settlement was reached. As a result, in April 2006, Enron requested that mediation be terminated; the mediator has recommended that the case be returned to the Bankruptcy Court. In the event that Enron prevails in its position that the master netting agreement is unenforceable, our potential liability to Enron could be approximately $216 million before interest, with as much as $220 million in unsecured Dynegy claims remaining to enforce against the bankruptcy estate. If the setoff rights are modified or disallowed, either by agreement or otherwise, the amount available for our entities to set off against sums that might be due Enron entities could be reduced materially. In fact, we could be required to pay to Enron the full amount that it

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claims to be owed, while we would be an unsecured creditor of Enron to the extent of our claims. Given the size of the claims at issue, an adverse result could have a material adverse effect on our financial condition, results of operations and cash flows.

The interests of CUSA may conflict with your interests.

As of April 30, 2006, as adjusted for this offering, the application of the net proceeds therefrom for the redemption of the Series C convertible preferred stock as described in Use of Proceeds and the Convertible Debenture Exchange, CUSA owned approximately 20% of the voting power of Dynegy. By virtue of such stock ownership, CUSA has the power to influence our affairs and the outcome of matters required to be submitted to stockholders for approval as a holder of Class B common stock. CUSA also enjoys certain blocking rights under our bylaws with respect to certain corporate transactions as well as certain consent and preemptive rights under the shareholder agreement between us and CUSA dated as of August 11, 2003. CUSA will continue to enjoy such consent and preemptive rights under the second amended and restated shareholder agreement to be entered into in connection with the redemption of our Series C convertible preferred stock. See Summary Recent Developments Second Amended and Restated Shareholder Agreement.

Many of our senior officers have been promoted recently and have only worked together as a management team for a short period of time. In addition, a number of our senior officers have limited experience in management positions.

We have recently made several significant changes to our senior management team. In November 2005, we named a new Executive Vice President and Chief Financial Officer, who had been serving as our Senior Vice President and Treasurer since May 2004 and previously as our Senior Vice President and Controller from June 2003 to May 2004. In addition, we named a new General Counsel and Executive Vice President of Administration, who had been serving as our Senior Vice President of Human Resources since August 2004 and previously as our Group General Counsel-Corporate Finance & Securities from June 2003 to August 2004. We also named a new Executive Vice President, Strategic Planning and Corporate Business Development, who had been serving as Senior Vice President of that same group since July 2003. As a result of these recent changes in senior management, many of our officers have only worked together as a management team for a short period of time. The failure to successfully integrate the senior management team could have an adverse impact on our business operations. In addition, some of our officers and management have had limited experience in management positions. Their inexperience could negatively impact our financial condition, results of operations and cash flows.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 35,000,000 shares of Class A common stock we are offering will be approximately $164 million. If the underwriters exercise their option to purchase 5,250,000 additional shares of our Class A common stock in full, the net proceeds to us will be approximately $189 million. For the purpose of estimating net proceeds, we are assuming that the offering price will be $4.92 per share (the last sales price of our Class A common stock as reported on the NYSE on May 19, 2006). Net proceeds is what we expect to receive after we pay the underwriting discounts and commissions and other estimated expenses of this offering. If we were to price the offering at $4.67 per share, a price 5% below the last sales price reported on the NYSE on May 19, 2006, we estimate that we would receive net proceeds of approximately $155 million (approximately $180 million if the underwriters option to purchase additional shares is exercised in full), assuming the total number of shares offered by us remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If we were to price the offering at $5.17 per share, a price 5% above the last sales price reported on the NYSE on May 19, 2006, we estimate that we would receive net proceeds of approximately $173 million (approximately $200 million if the underwriters option to purchase additional shares is exercised in full), assuming the total number of shares offered by us remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We expect to use the net proceeds from this offering, together with cash on hand and the DHI Dividend, to fund the redemption of all of our Series C convertible preferred stock for approximately $404.3 million (comprised of the aggregate liquidation preference of $400 million plus accrued and unpaid dividends through the anticipated date of redemption). See Summary Recent Developments Redemption of Series C Convertible Preferred Stock. This offering is conditioned upon the consummation of the Term Loan Facility, and the Term Loan Facility is conditioned upon the consummation of this offering.

Our Series C convertible preferred stock, which has an aggregate liquidation preference of $400 million, currently accrue dividends at a rate of $2.75 per share per year and must be redeemed (i) on August 11, 2033 or (ii) at an earlier date following our deferral of such dividend payments for ten consecutive semi-annual dividend payment periods. See Description of Capital Stock Series C Convertible Preferred Stock.

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PRICE RANGE OF CLASS A COMMON STOCK

Our Class A common stock is listed on the NYSE under the symbol DYN. The following table shows the high and low closing prices per share of our Class A common stock for the periods indicated, as reported on the NYSE composite transaction tape. On May 19, 2006, the last reported sale price of our Class A common stock was $4.92 per share. As of March 31, 2006, our Class A common stock was held by approximately 19,269 holders of record, and the number of outstanding shares of our Class A common stock was 305,545,195 (excluding treasury shares).

	Price range	
Period	**High**	**Low**
2006		
Second Quarter (through May 19, 2006)	$ 5.32	$ 4.73
First Quarter	5.72	4.72
2005		
Fourth Quarter	$ 5.07	$ 4.15
Third Quarter	5.63	4.35
Second Quarter	5.10	3.23
First Quarter	4.75	3.62
2004		
Fourth Quarter	$ 5.86	$ 4.27
Third Quarter	4.99	3.93
Second Quarter	4.44	3.75
First Quarter	5.15	3.46
2003		
Fourth Quarter	$ 4.35	$ 3.45
Third Quarter	4.65	2.85
Second Quarter	5.23	2.54
First Quarter	2.63	1.29

DIVIDEND POLICY

Dividend payments on our common stock are at the discretion of our Board of Directors. We have not paid a dividend on our common stock since 2002, and we do not foresee a declaration of dividends on our common stock in the near term, particularly given our financial condition and the dividend restrictions contained in our financing agreements. Specifically, we have agreed not to pay any dividends on our common stock under the terms of the Credit Agreement. We have, however, continued to make the required dividend payments on our outstanding trust preferred securities.

The Series B Preferred Stock we issued to CUSA in November 2001 had no dividend requirement. Because of CUSA s discounted conversion option, however, we accreted an implied preferred stock dividend over the redemption period, as required by GAAP.

We accrue dividends on our Series C convertible preferred stock at a rate of 5.5% per annum. We accrued and made dividend payments on the Series C convertible preferred stock during the year ended December 31, 2005 totaling approximately $22 million and made a semi-annual dividend payment of approximately $11 million in February 2006. Dividends are payable on the Series C convertible preferred stock in February and August of each year, but we may defer payments for up to 10 consecutive semi-annual periods. If CUSA, the holder of our Series C convertible preferred stock, does not receive the full dividends to which it is entitled on any specified dividend payment date, then such unpaid dividends will be deferred, will cumulate and will accrue additional dividends at a rate of 5.5% per annum. Unless we have sufficient liquidity, we may be required to defer payment of dividends on the Series C convertible preferred stock beginning in August 2006.

After we use the proceeds of this offering, together with cash on hand and the DHI Dividend, to redeem all of our Series C convertible preferred stock, there will be no more Series C convertible preferred stock outstanding. Accordingly, following such redemption, we would no longer accrue or pay dividends associated with the Series C convertible preferred stock.

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CAPITALIZATION

The following table sets forth our unaudited capitalization as of March 31, 2006:

- on a historical basis; and
- as adjusted to give pro forma effect to this offering, the redemption of our Series C convertible preferred stock, the Term Loan Facility, the Term L/C Facility, the Revolving Credit Facility, the SPN Tender Offer, the New Senior Notes and the Convertible Debenture Exchange.

You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 incorporated by reference in this prospectus supplement and the information set forth under Unaudited Pro Forma Condensed Consolidated Financial Data.

	As of March 31, 2006	
	Historical	**Pro forma**
	(unaudited)	
	(in millions)	
Cash and cash equivalents	$ 1,691	$ 384
Restricted cash	$ 78	$ 78
Short-term debt:		
Notes payable and current portion of long-term debt	$ 70	$ 70
Total short-term debt	70	70
Long-term debt (excluding current portion)(1):		
Term loan facility(2)		150
Revolving credit facility(3)		
Term L/C facility(4)		200
New senior notes		750
Senior notes(5)	1,321	1,321
Second priority notes	1,754	86
Subordinated debentures to affiliate(6)	200	200
Debentures	225	
Sithe Energies debt(7)	714	714
Total long-term debt	4,214	3,421
Series C convertible preferred stock	400	
Stockholders equity:		
Class A common stock	2,953	3,342
Class B common stock	1,006	1,006
Additional paid-in capital	46	46
Subscriptions receivable	(8)	(8)
Accumulated other comprehensive loss, net of tax	8	8
Accumulated deficit	(1,797)	(1,977)
Treasury stock, at cost	(69)	(69)
Total stockholders equity	2,139	2,348

Total capitalization	$ 6,823	$ 5,839

(1) Excludes $804 million in future lease payments (discounted at 10%) under our operating leases of the Danskammer and Roseton generating facilities.

(2) Comprising the $150 million to be borrowed pursuant to the Term Loan Facility.

(3) On April 19, 2006, we entered into our Credit Agreement providing for the Revolving Credit Facility of up to $470 million. Excludes $178 million of letters of credit issued under DHI s former letter of credit facility as of March 31, 2006. Outstanding letters of credit under the Revolving Credit Facility, which is not expected to be drawn at the closing of this offering, reduce our ability to borrow under the Revolving Credit Facility on a dollar-for-dollar basis.

(4) Assumes full $200 million of debt outstanding under the Term L/C Facility. Our balance sheet will include a corresponding long-term asset.

(5) Comprising debt with a carrying amount of (a) $493 million of our 6.875% senior notes due 2011, (b) $485 million of our 8.75% senior notes due 2012, (c) $174 million of our 7.125% senior debentures due 2018 and (d) $174 million of 7.625% senior debentures due 2026, and relevant premiums or discounts on each such note or debenture, less the current portion of each such note or debenture.

(6) 8.316% Subordinated Debentures due 2027 payable to CUSA.

(7) Comprising debt with a carrying amount of (a) $419 million of 7.0% subordinated debt due 2034, (b) $57 million of 8.5% senior notes due 2007 and (c) $409 million of 9.0% senior notes due 2013.

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SELECTED FINANCIAL DATA

The following selected historical consolidated financial data as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 has been derived from our historical consolidated financial statements incorporated by reference in this prospectus supplement. The following selected historical consolidated financial data as of December 31, 2001, 2002 and 2003 and for the years ended December 31, 2001 and 2002 has been derived from our historical consolidated financial statements which are not included in, or incorporated by reference in, this prospectus supplement. The following selected historical consolidated financial data as of March 31, 2006 and for the three months ended March 31, 2005 and 2006 has been derived from our unaudited condensed consolidated financial statements incorporated by reference in this prospectus supplement. Our unaudited condensed consolidated financial statements were prepared on a basis consistent with that used in preparing our audited consolidated financial statements and include all material adjustments that, in the opinion of management, are necessary for a fair presentation of our financial position and results of operations for the unaudited periods.

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

	Year ended December 31,					Three months ended March 31,	
	2001	2002	2003	2004	2005	2005 (Unaudited)	2006 (Unaudited)
	(in millions, except per share data)						
Statement of operations data(1):							
Revenues	$ 3,635	$ 2,109	$ 2,599	$ 2,451	$ 2,313	$ 462	$ 600
Depreciation and amortization expense	(368)	(378)	(373)	(235)	(220)	(55)	(60)
Goodwill impairment		(814)	(311)				
Impairment and other charges		(176)	(225)	(78)	(46)	1	(2)
General and administrative expenses	(385)	(297)	(315)	(330)	(468)	(263)	(51)
Operating income (loss)	823	(1,146)	(769)	(100)	(838)	(385)	78
Interest expense	(201)	(241)	(503)	(453)	(389)	(89)	(98)
Income tax benefit (expense)	(320)	337	296	172	395	174	(3)
Net income (loss) from continuing operations	423	(1,217)	(813)	(180)	(804)	(294)	(1)
Income (loss) from discontinued operations(2)	(24)	(1,136)	81	165	899	32	1
Cumulative effect of change in accounting principles	2	(234)	40		(5)		1
Net income (loss)	$ 401	$ (2,587)	$ (692)	$ (15)	$ 90	$ (262)	$ 1
Net income (loss) applicable to common stockholders	359	(2,917)	321	(37)	68	(267)	(4)
Basic earnings (loss) per share from continuing operations	$ 1.17	$ (4.23)	$ 0.53	$ (0.53)	$ (2.13)	$ (0.79)	$ (0.01)
Basic net income (loss) per share	1.10	(7.97)	0.86	(0.10)	0.18	(0.70)	(0.01)
Diluted earnings (loss) per share from continuing operations	$ 1.12	$ (4.23)	$ 0.50	$ (0.53)	$ (2.13)	$ (0.79)	$ (0.01)
Diluted net income (loss) per share	1.06	(7.97)	0.78	(0.10)	0.18	(0.70)	(0.01)
Shares outstanding for basic EPS calculation	326	366	374	378	387	379	400
Shares outstanding for diluted EPS calculation	340	370	423	504	513	505	526
Cash dividends per common share	$ 0.30	$ 0.15	$	$	$	$	$

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	Year ended December 31,					Three months ended March 31,	
	2001	2002	2003	2004	2005	2005 (unaudited)	2006 (unaudited)
	(in millions, except per share data)						
Cash flow data:							
Cash flows from operating activities	$ 550	$ (25)	$ 876	$ 5	$ (30)	$ (34)	$ (311)
Cash flows from investing activities	(3,828)	677	(266)	262	1,824	(196)	469
Cash flows from financing activities	3,450	(44)	(900)	(115)	(873)	(27)	(16)
Cash dividends or distributions to partners, net	(98)	(55)		(22)	(22)	(11)	(11)
Capital expenditures, acquisitions and investments	(4,687)	(981)	(338)	(314)	(315)	(174)	(58)
Balance sheet data (at period end)(3):							
Current assets	$ 8,944	$ 7,574	$ 3,074	$ 2,728	$ 3,706		$ 2,759
Current liabilities	8,538	6,748	2,450	1,802	2,116		987
Property and equipment, net	9,269	8,458	8,178	6,130	5,323		5,366
Total assets	25,074	20,020	12,801	9,843	10,126		8,870
Long-term debt (excluding current portion)	5,016	5,454	5,893	4,332	4,228		4,214
Notes payable and current portion of long-term debt	458	861	331	34	71		70
Serial preferred securities of a subsidiary	46	11	11				
Subordinated debentures to affiliate	200	200					
Series B Preferred Stock(4)	882	1,212					
Series C convertible preferred stock			400	400	400		400
Minority interest(5)	1,040	146	121	106			
Capital leases not already included in long-term debt	29	15					
Total stockholders equity	4,956	2,256	1,975	1,956	2,140		2,139

(1) The following acquisitions were accounted for in accordance with the purchase method of accounting and the results of operations attributable to the acquired businesses are included in our financial statements and operating statistics beginning on the acquisitions effective date for accounting purposes:

Sithe Energies February 1, 2005;

Northern Natural February 1, 2002;

BGSL December 1, 2001; and

iaxis March 1, 2001.

(2) Discontinued operations includes the results of operations from the following businesses:

Northern Natural (sold third quarter 2002);

U.K. Storage Hornsea facility (sold fourth quarter 2002) and Rough facility (sold fourth quarter 2002);

DGC (portions sold in fourth quarter 2002 and first and second quarters 2003);

Global Liquids (sold fourth quarter 2002);

U.K. CRM (substantially liquidated in first quarter 2003); and

Dynegy Midstream Services, Limited Partnership (DMSLP). On October 31, 2005, we completed the sale of our Midstream natural gas business to Targa Resources Inc. for $2.35 billion in cash proceeds and a return of collateral of approximately $91 million. All periods presented in this prospectus supplement reflect the operations of DMSLP as discontinued operations in accordance with statement of Financial Accounting Standards No. 144.

(3) The Sithe Energies, Northern Natural, BGSL, and iaxis acquisitions were each accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed

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based on their estimated fair values as of the effective dates of each transaction. See note (1) above for respective effective dates. See also note (2) above regarding the DMSLP sale.

(4) The 2002 amount equals the $1.5 billion in proceeds related to the Series B Preferred Stock less the $660 million implied dividend recognized in connection with the beneficial conversion option plus $372 million in accretion of the implied dividend through December 31, 2002. The 2001 amount equals the $1.5 billion in proceeds less the $660 million implied dividend plus $42 million in accretion of the implied dividend through December 31, 2001.

(5) The 2001 amounts include amounts relating to the Black Thunder Secured Financing. This financing involved our obligation to purchase the interest held by a third party on or before June 2005 which was recorded as an $850 million minority interest liability. We repaid the balance owed under this financing in August 2003.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma condensed consolidated financial data for the year ended December 31, 2005 has been derived from our historical consolidated financial statements for the year ended December 31, 2005 incorporated by reference in this prospectus supplement. The following unaudited pro forma condensed consolidated financial data as of and for the three months ended March 31, 2006 has been derived from our unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2006 incorporated by reference in this prospectus supplement. Our unaudited condensed consolidated financial statements were prepared on a basis consistent with that used in preparing our audited consolidated financial statements and include all material adjustments that, in the opinion of management, are necessary for a fair presentation of our financial position and results of operations for the unaudited periods.

The following unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2005 and for the three months ended March 31, 2006 gives effect to (a) this offering and (b) the redemption of our Series C convertible preferred stock, the Term Loan Facility, the Term L/C Facility, the SPN Tender Offer, the New Senior Notes and the Convertible Debenture Exchange (collectively, the Financing Transactions), in each case as if each transaction had been consummated on January 1, 2005. The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2006 gives effect to (a) this offering and (b) the Financing Transactions and the Revolving Credit Facility, in each case as if each transaction had been consummated on March 31, 2006.

The unaudited pro forma condensed consolidated financial data is presented for illustrative purposes only and are not necessarily indicative of our operating results or financial position if the transactions described above had been consummated on the dates indicated, nor are they necessarily indicative of future operating results or financial position if all of the transactions described above are consummated.

The following unaudited pro forma condensed consolidated financial data sets forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as amended, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 incorporated by reference in this prospectus supplement.

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DYNEGY INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2005

(in millions)

	Historical	Adjustments for This Offering	Adjustments for Financing Transactions	Pro Forma
Revenues	$ 2,313	$	$	$ 2,313
Cost of sales, exclusive of depreciation shown separately below	(2,416)			(2,416)
Depreciation and amortization expense	(220)			(220)
Impairment and other charges	(46)			(46)
Loss on sale of assets, net	(1)			(1)
General and administrative expenses	(468)			(468)
Operating loss	(838)			(838)
Earnings from unconsolidated investments	2			2
Debt conversion expense			(283)(a)	(283)
Interest expense	(389)		105 (b)	(284)
Other income and expense, net	26			26
Loss from continuing operations before income taxes	(1,199)		(178)	(1,377)
Income tax benefit	395		59 (c)	454
Loss from continuing operations	$ (804)	$	$ (119)	$ (923)
Basic loss per share from continuing operations(d)	$ (2.13)			$ (1.94)
Diluted loss per share from continuing operations(e)	$ (2.13)			$ (1.94)
Basic shares outstanding(f)	387			477
Diluted shares outstanding(g)	513			479

(a) Amount consists of (i) $195 million premium paid to holders who tendered their Second Priority Notes in the SPN Tender Offer, (ii) $44 million premium paid in connection with the Convertible Debenture Exchange, (iii) accelerated amortization of $32 million of previously capitalized Second Priority Notes issuance costs, (iv) accelerated amortization of $7 million of previously capitalized 4.75% Convertible Subordinated Debenture issuance costs, (v) $2 million of transaction costs in connection with the SPN Tender Offer, (vi) $1 million of transaction costs in connection with the Convertible Debenture Exchange and (vii) $2 million of transaction costs in connection with the redemption of our Series C convertible preferred stock.

(b) Amount represents a reduction of $167 million of interest expense attributable to the Second Priority Notes, a reduction of $11 million of interest expense attributable to the 4.75% Convertible Subordinated Debentures due 2023, an increase of $63 million of interest expense calculated at the fixed rate of 8.375% attributable to the New Senior Notes, an increase of $4 million of interest expense calculated at a net interest rate spread of approximately 2.0% attributable to the Term L/C Facility (assuming full $200 million of debt outstanding) and an increase of $6 million of interest expense calculated at LIBOR plus 1.75% attributable to the Term Loan Facility. The effect on net income of a one-eighth percent variance in the interest rate on the Term L/C Facility and the Term Loan Facility is immaterial.

(c) Amounts represent tax effect of pro forma adjustments using an effective rate of 33%; our effective tax rate for the year ended December 31, 2005.

(d) Basic loss from continuing operations per share was computed by dividing loss from continuing operations, adjusted for preferred dividends, by basic shares outstanding.

(e) When an entity has a net loss from continuing operations, SFAS No. 128, Earnings per Share, prohibits the inclusion of potential common shares in the computation of diluted per-share amounts. Accordingly, we have utilized the basic shares outstanding amount to calculate both basic and diluted loss per share for the twelve months ended December 31, 2005.

(f) The increase in the basic shares is due to the 35 million shares offered in this offering and 55 million shares issued in the Convertible Debenture Exchange.

(g) The decrease in the diluted shares is due to the elimination of the potential dilutive effect of the Series C convertible preferred stock and the potential dilutive effect of the Convertible Debenture Exchange.

DYNEGY INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the three months ended March 31, 2006

(in millions)

	Historical	Adjustments for This Offering	Adjustments for Financing Transactions	Pro Forma
Revenues	$ 600	$	$	$ 600
Cost of sales, exclusive of depreciation shown separately below	(409)			(409)
Depreciation and amortization expense	(60)			(60)
Impairment and other charges	(2)			(2)
General and administrative expenses	(51)			(51)
Operating income	78			78
Earnings from unconsolidated investments	2			2
Interest expense	(98)		26 (a)	(72)
Other income and expense, net	20			20
Income from continuing operations before income taxes	2		26	28
Income tax expense	(3)		(9)(b)	(12)
Income (loss) from continuing operations	$ (1)	$	$ 17	$ 16
Basic earnings (loss) per share from continuing operations(c)	$ (0.01)			$ 0.03
Diluted earnings (loss) per share from continuing operations(d)	$ (0.01)			$ 0.03
Basic shares outstanding(e)	400			490
Diluted shares outstanding(f)	526			492

(a) Amount represents a reduction of $42 million of interest expense attributable to the Second Priority Notes, a reduction of $3 million of interest expense attributable to the 4.75% Convertible Subordinated Debentures due 2023, an increase of $16 million of interest expense calculated at the fixed rate of 8.375% attributable to the New Senior Notes, an increase of $1 million of interest expense calculated at a net interest rate spread of approximately 2.0% attributable to the Term L/C Facility (assuming full $200 million of debt outstanding) and an increase of $2 million of interest expense calculated at LIBOR plus 1.75% attributable to the Term Loan Facility. The effect on net income of a one-eighth percent variance in the interest rate on the Term L/C Facility and the Term Loan Facility is immaterial.

(b) Amounts represent tax effect of pro forma adjustments using an effective rate of 36%; our effective tax rate for the three months ended March 31, 2006.

(c) Basic loss from continuing operations per share was computed by dividing loss from continuing operations, adjusted for preferred dividends, by basic shares outstanding.

(d) When an entity has a net loss from continuing operations, SFAS No. 128, Earnings per Share, prohibits the inclusion of potential common shares in the computation of diluted per-share amounts. Accordingly, we have utilized the basic shares outstanding amount to calculate both basic and diluted loss per share for the three months ended March 31, 2006.

(e) The increase in the basic shares is due to the 35 million shares offered in this offering and 55 million shares issued in the Convertible Debenture Exchange.

(f) The decrease in the diluted shares is due to the elimination of the potential dilutive effect of the Series C convertible preferred stock and the potential dilutive effect of the Convertible Debenture Exchange.

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DYNEGY INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As of March 31, 2006

(in millions)

	Historical	Adjustments for This Offering	Adjustments for Financing Transactions and Revolving Credit Facility	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	$ 1,691	$ 164(a)	$ (1,471)(b)	$ 384
Restricted cash	78			78
Accounts receivable, net of allowance for doubtful accounts	329			329
Accounts receivable, affiliates	1			1
Inventory	209			209
Assets from risk-management activities	288			288
Deferred income taxes	19			19
Prepayments and other current assets	144			144
Total current assets	2,759	164	(1,471)	1,452
Property, plant and equipment	6,613			6,613
Accumulated depreciation	(1,247)			(1,247)
Property, plant and equipment, net	5,366			5,366
Other assets:				
Unconsolidated investments	6			6
Restricted investments	83			83
Restricted cash			200 (c)	200
Assets from risk-management activities	83			83
Intangible assets	391			391
Deferred income taxes	1			1
Other long-term assets	181		(17)(d)	164
Total assets	$ 8,870	$ 164	$ (1,288)	$ 7,746
Liabilities and stockholder s equity				
Current liabilities:				
Accounts payable	$ 236	$	$	$ 236
Accounts payable, affiliates	1			1
Accrued interest	126		(36)(e)	90
Accrued liabilities and other current liabilities	246		(3)(f)	243
Liabilities from risk-management activities	308			308
Notes payable and current portion of long-term debt	70			70
Total current liabilities	987		(39)	948

Long-term debt (excluding current portion):				
Long-term debt	4,014		(793)(g)	3,221
Long-term debt to affiliates	200			200
Long-Term debt	4,214		(793)	3,421
Other liabilities:				
Liabilities from risk-management activities	138			138
Deferred income taxes	570		(101)(h)	469
Other long-term liabilities	422			422
Total liabilities	6,331		(933)	5,398
Redeemable preferred securities	400		(400)(i)	
Stockholders equity:				
Common stock	3,959	164(a)	225 (j)	4,348
Additional paid-in capital	46			46
Subscriptions receivable	(8)			(8)
Accumulated other comprehensive income (loss), net of tax	8			8
Accumulated deficit	(1,797)		(180)(k)	(1,977)
Treasury stock	(69)			(69)
Total stockholders equity	2,139	164	45	2,348
Total liabilities and stockholders equity	$ 8,870	$ 164	$ (1,288)	$ 7,746

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(a) Amount represents cash proceeds from the issuance of 35 million shares in this offering at an anticipated issuance price of $4.92 per share, less approximately $8 million in related transaction costs. If we were to price the offering at $4.67 per share, a price 5% below the last sales price reported on the NYSE on May 19, 2006, we estimate that we would receive net proceeds of approximately $155 million, after deducting transaction costs. If we were to price the offering at $5.17 per share, a price 5% above the last sales price reported on the NYSE on May 19, 2006, we estimate that we would receive net proceeds of approximately $173 million, after deducting transaction costs.

(b) Amount represents cash proceeds from issuance of $750 million of the New Senior Notes and $150 million attributed to the Term Loan Facility, less (i) $1,863 million of cash paid to consummate the SPN Tender Offer, (ii) $400 million of cash paid to retire the Series C convertible preferred stock, (iii) $36 million of accrued interest on the Second Priority Notes and 4.75% Convertible Subordinated Debentures due 2023, (iv) $44 million of cash paid to induce the Convertible Debenture Exchange, (v) $16 million of transaction costs in connection with the issuance of the New Senior Notes, (vi) $3 million of accrued dividends on the Series C convertible preferred stock, (vii) $2 million of transaction costs in connection with the SPN Tender Offer, (viii) $1 million of transaction costs in connection with the Convertible Debenture Exchange, (ix) $1 million of transaction costs in connection with the Term L/C Facility, (x) $2 million of transaction costs in connection with the redemption of our Series C convertible preferred stock, (xi) $1 million of transaction costs in connection with the Revolving Credit Facility and (xii) $2 million of transaction costs in connection with the Term Loan Facility.

(c) Amount represents the long-term asset reflecting our restricted cash associated with our Term L/C Facility (assuming full $200 million of debt outstanding).

(d) Amount represents $16 million of capitalized transaction costs in connection with the issuance of the New Senior Notes, $1 million of capitalized transaction costs in connection with the Term L/C Facility, $1 million of capitalized transaction costs in connection with the Credit Agreement and $2 million of transaction costs in connection with the Term Loan Facility, less accelerated amortization of $30 million of previously capitalized Second Priority Notes issuance costs and $7 million of previously capitalized 4.75% Convertible Subordinated Debenture issuance due 2023 issuance costs.

(e) Amount represents accrued interest payable of $36 million related to the Second Priority Notes and Convertible Debentures at March 31, 2006.

(f) Amount represents accrued dividend payable of $3 million related to Series C convertible preferred stock at March 31, 2006.

(g) Amount represents the $750 million of New Senior Notes, the Term L/C Facility (assuming full $200 million of debt outstanding) and the $150 million to be borrowed pursuant to the Term Loan Facility, less $1,668 million of the Second Priority Notes and the $225 million of 4.75% Convertible Subordinated Debentures due 2023.

(h) Amount represents related tax effects for the Financing Transactions at our effective tax rate of 36%.

(i) Amount represents the redemption of the Series C convertible preferred stock.

(j) Amount represents Class A common shares issued in connection with the Convertible Debenture Exchange.

(k)

Amount represents $195 million premium paid to holders who tendered their Second Priority Notes, $44 million premium paid as part of the Convertible Debenture Exchange, accelerated amortization of $30 million of previously capitalized Second Priority Notes issuance costs, accelerated amortization of $7 million of previously capitalized 4.75% Convertible Subordinated Debenture issuance costs, $2 million of transaction costs in connection with the SPN Tender Offer, $1 million of transaction costs in connection with the Convertible Debenture Exchange and $2 million of transaction costs in connection with the redemption of our Series C convertible preferred stock, reduced by tax benefits using an effective rate of 36%, our effective tax rate for the three months ended March 31, 2006.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized common stock currently consists of 900 million shares of Class A common stock, no par value, and 360 million shares of Class B common stock, no par value. Our authorized preferred stock currently consists of 70 million shares of preferred stock, no par value.

As of May 4, 2006, we had outstanding 305,894,942 shares of our Class A common stock (excluding treasury shares), 96,891,014 shares of our Class B common stock, all of which is owned by CUSA and its affiliates, and 8 million shares of our Series C convertible preferred stock, all of which is currently owned by CUSA.

Class A Common Stock and Class B Common Stock

The following summarizes some, but not all, of the terms of our Class A and Class B common stock. The following discussion is not meant to be complete and is qualified by reference to our amended and restated articles of incorporation, which we refer to herein as our articles of incorporation, and our amended and restated bylaws, which we refer to herein as our bylaws. For more information, see Where You Can Find More Information.

Voting

Generally, holders of Class B common stock vote together with holders of Class A common stock as a single class on every matter acted upon by the shareholders except for the following matters:

- the holders of Class B common stock vote as a separate class for the election of up to three of our directors, while the holders of Class A common stock vote as a separate class for the remaining directors;

- any change to the rights, privileges or preferences of the Class B common stock, other than an amendment to our articles of incorporation or the establishment of another class or series of preferred stock in accordance with our articles of incorporation, must be approved by 66 $^{2}/3$% of the outstanding shares of Class B common stock voting as a separate class; and

- any amendment to the provisions of our articles of incorporation addressing the voting rights of holders of Class A and Class B common stock or to Section 7 of Article III or Article X of our bylaws requires the approval of 66 $^{2}/3$% of the outstanding shares of Class B common stock voting as a separate class, and the affirmative vote of a majority of the shares of Class A and Class B common stock, voting together as a single class, except that no such shareholder approval is required with respect to an amendment to Section 7 of Article III or Article X of our bylaws if such amendment is approved by a majority of the directors elected by holders of Class B common stock present at a meeting where such amendment is considered and by a majority of all our directors.

Holders of Class A and Class B common stock are entitled to one vote per share on all matters submitted to a vote of shareholders. Holders of Class A common stock may cumulate votes in connection with the election of directors. The election of directors and all other matters will be by a majority of votes represented and entitled to vote, except as otherwise provided by law.

Dividends; Liquidation

Subject to the preferences of any preferred stock, holders of Class A and Class B common stock have equal ratable rights to dividends out of funds legally available for that purpose, when and if dividends are declared by the board. Holders of Class A common stock and Class B common stock are entitled to share ratably, as a single class, in all of our assets available for distribution to holders of shares of common stock upon our liquidation or dissolution or the winding up of our affairs, after payment of our liabilities and any amounts to holders of preferred stock.

Conversion

A share of Class B common stock automatically converts into a share of Class A common stock upon the transfer to any person other than CUSA or its affiliates. Additionally, shares of Class A common stock acquired by CUSA or one of its affiliates automatically convert into Class B common stock. However, each share of Class B common stock will automatically convert into a share of Class A common stock if the holders of all Class B common stock cease to own collectively 15% of our outstanding common stock.

Additional Rights

Holders of our Class A and Class B common stock generally are not entitled to preemptive rights, subscription rights, or redemption rights, except that CUSA is entitled to preemptive rights under the amended and restated shareholder agreement dated August 11, 2003 between us and CUSA. Such rights will continue under the second amended and restated shareholder agreement to be entered into simultaneously with the redemption of the Series C convertible preferred stock. See Summary Recent Developments Second Amended and Restated Shareholder Agreement. The rights and preferences of holders of our common stock are subject to the rights of any series of preferred stock that we may issue.

Anti-Takeover Effects of Illinois Law

Certain provisions of the IBCA, including as described below, and our articles of incorporation and bylaws could, together or separately, discourage potential acquisition proposals or delay or prevent a change of control of Dynegy, even when shareholders consider such a transaction to be in their best interest. Accordingly, such provisions may limit the price that certain investors might be willing to pay in the future for shares of our common stock.

We are subject to Section 7.85 of the IBCA and, at such times as a certain amount of shares are held by or a certain number of shareholders of record are Illinois residents, Section 11.75 of the IBCA. These statutes place restrictions on business combinations (defined to include mergers and many other types of transactions) between certain Illinois corporations and interested shareholders defined to generally include (i) the owner of 15% or more of the outstanding voting shares of the corporation or (ii) an affiliate or associate of the corporation who was the owner of 15% or more of the outstanding voting shares of the corporation at any time in the previous three years. Section 7.85 of the IBCA requires, in addition to any other requirements imposed by law or a corporation s articles of incorporation, that a business combination involving a corporation and an interested shareholder be approved by: (a) the affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of all classes and series of the corporation entitled to vote generally in the election of directors, voting together as a single class (but with the votes per share specified in the corporation s articles of incorporation) and (b) the affirmative vote of a majority of the voting shares held by disinterested shareholders. These voting requirements will not apply if (A) the business combination is approved by two-thirds of the disinterested directors or (B)(1) the price paid to the shareholders of the corporation in such business combination is, generally, the higher of fair market value (as defined in the statute) or the highest price per share paid by the interested shareholder (or any affiliate) in acquiring its shares; (2) the interested shareholder has not acquired additional voting shares after the transaction in which he became an interested shareholder; (3) the interested shareholder has not received special benefits and the shareholders have been provided information describing the proposed business combination; and (4) certain other conditions are met relating to the form and amount of consideration paid, the absence of dividend defaults on preferred stock or reductions in dividends on common shares (except as approved by two-thirds of the disinterested directors).

Section 11.75 of the IBCA prohibits a business combination (as defined in the statute) involving a corporation and an interested shareholder for three years after such shareholder becomes an interested shareholder unless: (i) before such date, our Board of Directors approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder, (ii) upon completion of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting shares outstanding at the time such transaction commenced (excluding shares owned by directors who are also officers and shares owned by certain employee stock plans), or (iii) on or after such date, the business combination is approved by the board and authorized at a meeting of the shareholders by 66 2/3% of the outstanding voting shares not owned by the interested shareholder.

Section 8.85 of the IBCA permits directors to consider the interests of other constituencies, such as the interests of employees and communities, in responding to a takeover. Apart from the voting requirements of IBCA Sections 11.75 and 7.85, the IBCA and our articles of incorporation generally require approval of the holders of 66 2/3% of the outstanding shares of Class A and Class B common stock (voting as a single class) to effect a merger or sale of all or substantially all of our assets.

Transfer Agent

The transfer agent and registrar for our common stock is Mellon Investor Services L.L.C.

Series C Convertible Preferred Stock

In August 2003, we issued in a private offering to CUSA 8,000,000 shares of our Series C convertible preferred stock, established under a statement of resolution. Following the completion of this offering, we expect to have no Series C convertible preferred stock outstanding. See Use of Proceeds.

The following summarizes some, but not all, of the terms of our Series C convertible preferred stock. The following discussion is not meant to be complete and is qualified by reference to the statement of resolution and other documents that govern the Series C convertible preferred stock. For more information, see Where You Can Find More Information.

Ranking

The Series C convertible preferred stock ranks, with respect to dividend rights and rights upon liquidation, winding up or dissolution:

- junior to:
  - all our debt existing as of the date that the Series C convertible preferred stock was initially issued) and future debt obligations; and
  - each class or series of our capital stock that has terms which provide that such class or series will rank senior to the Series C convertible preferred stock;
- on a parity with parity stock, which is any other class or series of our capital stock that has terms which provide that class or series will rank on a parity with the Series C convertible preferred stock; and
- senior to junior stock, which is our common stock (including our Class A common stock and Class B common stock) and each class or series of our capital stock that has terms which provide that class or series will rank junior to the Series C convertible preferred stock.

Dividends

The holders of the shares of Series C convertible preferred stock are entitled to receive dividends at the annual rate of 5.5% of the liquidation value per share of Series C convertible preferred stock, or $2.75 per year. The right of the holders of the shares of Series C convertible preferred stock to receive dividend payments is subject to the rights of any holders of shares of senior stock and parity stock. We are required to pay dividends on the Series C convertible preferred stock on a dividend payment date, unless (a) we do not have funds legally available for such payment, (b) we are subject to contractual restrictions that prevent us from making the payment, or (c) we elect to defer payment of dividends as described below. If the full cash dividends are not paid to the holders of all outstanding shares of Series C convertible preferred stock and any parity stock, and funds available are insufficient to pay the amounts to which they are then entitled, the entire amount available for

payment remaining after the distributions to holders of any senior stock will be distributed among the holders of the Series C convertible preferred stock and any parity stock ratably in proportion to the full amount to which they would otherwise be entitled, and any remainder not paid to the holders of the Series C convertible preferred stock will cumulate as provided below. If, on any dividend payment date, the holders of the Series C convertible preferred stock do not receive the full dividends to which they are entitled, then such dividends will be deferred and will cumulate. During any periods when there are deferred dividends outstanding, the holders of the Series C convertible preferred stock will be entitled to receive additional dividends at the rate of 5.5% per annum on the aggregate amount of deferred dividends outstanding during such period.

So long as any shares of Series C convertible preferred stock are outstanding, we are not permitted, unless all dividends due to the holders of Series C convertible preferred stock have been paid, to (i) declare or pay on any junior stock any dividend or distribution whatsoever, (other than dividends payable in shares of the class or series upon which such dividends are declared or paid, or payable in shares of common stock with respect to junior stock other than common stock, together with cash in lieu of fractional shares), (ii) purchase or redeem any junior stock, or (iii) pay or make available any monies for a sinking fund for the purchase or redemption of any junior stock.

At our election, we may defer payment of cash dividends on the Series C convertible preferred stock for up to ten consecutive semi-annual dividend payment periods, provided that no deferral may (i) extend beyond August 11, 2033 or (ii) end on a date other than a regular dividend payment date.

Redemption

We must redeem all of the then outstanding shares of Series C convertible preferred stock at a redemption price equal to $50.00 per share, plus any accrued but unpaid dividends, on the mandatory redemption date, which is the earlier to occur of (i) August 11, 2033 and (ii) a deferral period event, which occurs when deferred dividends have not been paid for ten consecutive semi-annual dividend payment periods.

On or after August 11, 2013, we may redeem the Series C convertible preferred stock, in whole or in part, at the redemption price. If less than all of the outstanding shares of the Series C convertible preferred stock are to be redeemed, such shares will be redeemed pro rata as determined by our Board of Directors in its sole discretion. See Summary Recent Developments Redemption of Series C Convertible Preferred Stock.

Liquidation Value

Upon our voluntary or involuntary liquidation, dissolution or winding up, each holder of Series C convertible preferred stock will be entitled to payment, out of our assets available for distribution, of an amount equal to the liquidation value per share of Series C convertible preferred stock, which is $50.00, plus accrued and unpaid dividends, held by that holder. If, upon our voluntary or involuntary liquidation, dissolution or winding up, the amounts payable with respect to shares of Series C convertible preferred stock and all other parity stock are not paid in full, the holders of shares of Series C convertible preferred stock and the holders of the parity stock will share equally and ratably in any distribution of our assets in proportion to the full liquidation preference and the amount equal to all accrued and unpaid dividends to which each such holder is entitled.

Conversion Rights

Shares of Series C convertible preferred stock are convertible into shares of Class A common stock in the circumstances discussed below. Additionally, any shares of Class A common stock acquired through such conversion by CUSA or its affiliates automatically convert into shares of our Class B common stock.

The holders of Series C convertible preferred stock may, at any time or from time to time, convert any shares of Series C convertible preferred stock into fully paid and nonassessable shares of Class A common stock at the conversion price in effect on the conversion date, which we refer to as an optional conversion; provided however, no right of optional conversion may be exercised unless the closing price of our Class A common stock for each of the 20 trading days immediately before the proposed conversion date is at least 100% of the conversion price then in effect. As of March 31, 2006, each share of Series C convertible preferred stock is convertible into 8.65 shares of Class A common stock. This is calculated by dividing (A) the $50.00 original purchase price for each share (as adjusted for stock dividends, combinations or splits with respect to such shares) by (B) the conversion price in effect on the conversion date. The current conversion price is set at $5.78 per share (subject to adjustment for stock dividends, combinations or splits with respect to such shares).

On or after the third anniversary of the cross-over date (as defined in the statement of resolution), we may, at our option, cause the Series C convertible preferred stock to convert into shares of Class A common stock at any time the closing price of our Class A common stock exceeds 130% of the conversion price in effect on the conversion date for at least 20 trading days within any period of 30 consecutive trading days before the exercise of our conversion right. Upon such mandatory conversion, holders of Series C convertible preferred stock shall receive accrued and unpaid dividends on such Series A preferred stock as of the conversion date, payable at our election in cash or shares of common stock or a combination thereof.

Upon a change of control, we, or such successor entity, as the case may be, will make appropriate provision so that the holder of each share of Series C convertible preferred stock then outstanding will have the right thereafter, to convert such share of Series C convertible preferred stock into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale, reclassification, change or conveyance by a holder of the number of shares of common stock into which such share of Series C convertible preferred stock might have been converted immediately before such transaction, subject to such adjustment which will be as nearly equivalent as may be practicable to the adjustments detailed above provided for stock dividends, rights or warrant offerings, extraordinary cash dividends and other distributions. These provisions will similarly apply to successive consolidations, mergers, conveyances or transfers.

The conversion price is subject to adjustment from time to time for stock dividends, subdivisions, combinations, reclassifications, rights or warrant offerings, cash dividends and other distributions.

Voting Rights

Holders of the Series C convertible preferred stock are not entitled to any voting rights except as required by law. Notwithstanding the foregoing, so long as any shares of Series C convertible preferred stock remain outstanding, we will not, without the consent of the holders of at least a majority of the shares of Series C convertible preferred stock outstanding at the time:

- issue shares of, or increase the authorized number of shares of, any class or series of stock ranking before the outstanding Series C convertible preferred stock as to dividends or upon liquidation unless such stock is designated and/or issued in connection with (i) a bona fide transaction where the consideration paid for such shares consists primarily of cash or (ii) a board-approved acquisition of any business or entity by us where such senior stock comprises all or a portion of the purchase price thereof; or

- amend our amended and restated articles of incorporation or the resolutions contained in the statement of resolution if the amendment would, with respect to the shares of Series C convertible preferred stock:

  - increase or decrease the aggregate number of authorized shares;

  - effect an exchange, reclassification, or cancellation of all or part of the shares;

  - change the designations, preferences, qualifications, limitations, restrictions, or special or relative rights of the shares;

  - divide the shares into series and fix or authorize our Board of Directors to fix the variations in the relative rights and preferences between the shares of such series;

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change the shares into the same or a different number of shares of the same class or another class or classes;

create a right of exchange, of all or any part of the shares of another class into shares of Series C convertible preferred stock;

create a new class of shares having rights and preferences superior to those of the Series C convertible preferred stock;

cancel or otherwise affect dividends on the shares of Series C convertible preferred stock which had accumulated but had not been declared; or

limit or deny the voting rights of the shares of Series C convertible preferred stock.

Offer to Repurchase

Upon the occurrence of a change of control (as defined in the documents governing the Series C convertible preferred stock), we are required to make an offer which we refer to as a change of control offer, to each holder of shares of Series C convertible preferred stock to repurchase all or any part of each such holder s shares of Series C convertible preferred stock at an offer price in cash equal to 100% of the liquidation value per share as of the change of control payment date (as defined below). We refer to this payment as the change of control payment. We are required to comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and any other relevant securities laws and regulations if applicable in connection with the repurchase of shares of Series C convertible preferred stock as a result of a change of control, and we are prohibited from violating the Series C convertible preferred stock s statement of resolution by reason of any act, including any failure to act, required by such rule or other applicable law or regulation.

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U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a summary of certain U.S. federal income and estate tax consequences of the ownership and disposition of our Class A common stock by a non-U.S. holder (as defined below) as of the date hereof. Except where noted, this summary deals only with a non-U.S. holder that holds our Class A common stock as a capital asset.

For purposes of this summary, a non-U.S. holder means a beneficial owner of our Class A common stock that is not any of the following for U.S. federal income tax purposes:

- a citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if:
  - its administration is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all of its substantial decisions; or
  - it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income or estate tax consequences different from those summarized below. This summary does not represent a detailed description of the U.S. federal income or estate tax consequences to you in light of your particular circumstances. In addition, it does not represent a description of the U.S. federal income or estate tax consequences to you if you are subject to special treatment under the U.S. federal income tax laws (including if you are a U.S. expatriate, controlled foreign corporation, passive foreign investment company, foreign personal holding company, insurance company, tax-exempt organization, financial institution or broker or dealer in securities). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If an entity classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding our Class A common stock, or a partner in such a partnership, you should consult your tax advisors.

If you are considering the purchase of our Class A common stock, you are urged to consult your own tax advisors concerning the particular U.S. federal tax consequences to you of the ownership and disposition of the Class A common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction, including any state, local or foreign income tax consequences.

Dividends

We do not anticipate paying cash dividends on our Class A common stock in the foreseeable future. See Dividend Policy. If dividends are paid on shares of our Class A common stock, however, such dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by a non-U.S. holder within the U.S. and, where an income tax treaty applies, are attributable to a U.S. permanent establishment of the non-U.S. holder, are not subject to this withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable individual or corporate rates. Certain certification and disclosure requirements must be complied with in order for effectively connected income to be exempt from this withholding tax. Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our Class A common stock who wishes to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, will be required to (a) complete Internal Revenue Service (IRS) Form W-8BEN (or successor form) and certify under penalty of perjury, that such holder is not a U.S. person or (b) satisfy the relevant certification requirements of applicable Treasury regulations if the Class A common stock is held through certain foreign intermediaries. Special certification and other requirements apply to certain non-U.S. holders that are entities rather than individuals.

A non-U.S. holder of our Class A common stock eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Gain on Disposition of Class A Common Stock

We believe that we are a United States real property holding corporation for United States federal income tax purposes. Nonetheless, a non-U.S. holder generally will not be subject to United States federal income tax on any gain realized on a disposition of our Class A common stock, provided that (i) the gain is not otherwise effectively connected with a trade or business conducted by the non-U.S. holder in the United States (and, in the case of an applicable tax treaty, is not attributable to a permanent establishment maintained by the non-U.S. holder in the United States), (ii) in the case of a non-U.S. holder who is an individual and who holds our Class A common stock as a capital asset, such holder is present in the United States for less than 183 days in the taxable year of the sale or other disposition and certain other conditions are met and (iii) our Class A common stock is considered to be regularly traded on an established securities market, within the meaning of Section 897 of the Code and the applicable Treasury Regulations, at any time during the calendar year in which the sale or other disposition occurs, and the non-U.S. holder does not actually or constructively own, at any time during the five-year period ending on the date of the sale or other disposition, more than 5% of our Class A common stock. Our Class A common stock is considered regularly traded on an established securities market within the meaning of Section 897 of the Code and the applicable Treasury Regulations. Non-U.S. holders should consult their own tax advisors with respect to the application of the foregoing rules to their ownership and disposition of our Class A common stock.

Federal Estate Tax

Class A common stock held by an individual non-U.S. holder at the time of death will be included in such holder s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld (if any) with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty. In addition, dividends paid to a non-U.S. holder generally will be subject to backup withholding unless applicable certification requirements are met and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Code, or such holder otherwise establishes an exemption.

Payment of the proceeds of a sale of our Class A common stock effected by or through a United States office of a broker is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is not a United States person (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the holder otherwise establishes an exemption. Generally, United States information reporting and backup withholding will not apply to a payment of the proceeds of a sale of our Class A common stock if the transaction is effected outside the United States by or through a non-United States office of a broker. However, if the broker is, for U.S. federal income tax purposes, a United States person, a controlled foreign corporation, a foreign person 50% or more of whose gross income from a specified period is effectively connected with a trade or business with the U.S., or a foreign partnership with various connections with the U.S., information reporting, but not backup withholding, will apply unless the broker has documentary evidence in its records that you are a non- U.S. holder and certain other conditions are met, or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder s U.S. federal income tax liability provided the required information is furnished to the IRS.

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UNDERWRITING

J.P. Morgan Securities Inc. and Lehman Brothers Inc. are the joint book-running managers and are acting as representatives of the underwriters. Under the terms of an underwriting agreement, each of the underwriters named below has severally agreed to purchase from us the respective number of shares of our Class A common stock shown opposite its name below:

Name	Number of Shares
J.P. Morgan Securities Inc.	
Lehman Brothers Inc.	
ABN AMRO Rothschild LLC	
Dresdner Kleinwort Wasserstein Securities LLC	
Wedbush Morgan Securities Inc.	
Total	35,000,000

The underwriting agreement provides that the underwriters obligation to purchase shares of our Class A common stock depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the obligation to purchase all of the shares of our Class A common stock offered hereby, if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true in all material respects;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares of our Class A common stock. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the shares.

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

The representatives of the underwriters have advised us that the underwriters propose to offer the shares of our Class A common stock directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. After the offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be $1.4 million (exclusive of underwriting discounts and commissions).

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of the underwriting agreement to purchase, from time to time, in whole or in part, up to an aggregate of 5,250,000 shares of our Class A common stock at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriters sell more than 35,000,000 shares of our Class A common stock in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain

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conditions, to purchase its pro rata portion of these additional shares based on the underwriter s percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

Lock-Up Agreements

We and our executive officers have agreed that, without the prior written consent of each of J.P. Morgan Securities Inc. and Lehman Brothers Inc., on behalf of the underwriters, we and they will not directly or indirectly, offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any shares of our Class A common stock or any securities that may be converted into or exercisable or exchangeable for any shares of our Class A common stock, enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of our Class A common stock, make any demand for or exercise any right with respect to the registration of any shares of our Class A common stock or securities convertible, exercisable or exchangeable into our Class A common stock or any of our other securities.

The 90-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 90-day restricted period we issue an earnings release or announce material news or a material event; or

- prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period;

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that the underwriters may be required to make for these liabilities.

Settlement

It is expected that delivery of the shares of our Class A common stock will be made on or about May , 2006, which is the second business day following the date hereof (such settlement cycle being referred to as T+2). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers will need to make appropriate arrangements to deliver funds on the second business day following the date hereof in order to prevent a failed settlement.

Stabilization, Short Positions and Penalty Bids

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of our Class A common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- A short position involves a sale by the underwriters of shares of our Class A common stock in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares of our Class A common stock and/or purchasing shares of our Class A common stock in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares of our Class A common stock available for purchase in the open market as compared to the price at which they may purchase shares of our Class A common stock through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of our Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of our Class A common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the Class A common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our Class A common stock or preventing or retarding a decline in the market price of our Class A common stock. As a result, the price of our Class A common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A common stock. In addition, neither we nor any of the underwriters make representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter s or selling group member s web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement and the accompanying prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Stamp Taxes

If you purchase shares of our Class A common stock offered in this prospectus supplement and the accompanying prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement and the accompanying prospectus.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from

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and including the date on which the European Union Prospectus Directive (the EU Prospectus Directive) is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of our Class A common stock to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares of our Class A common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares of our Class A common stock to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running managers for any such offer; or

- in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares of our Class A common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our Class A common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of our Class A common stock, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of any shares of our Class A common stock in circumstances in which Section 21(1) of the FSMA does not apply to us and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our Class A common stock in, from or otherwise involving the United Kingdom.

Relationships

Certain of the underwriters and their affiliates have in the past provided to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and our affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. J.P. Morgan Securities Inc. assembled a syndicate of lenders to provide us with the Term L/C Facility. In addition, J.P. Morgan Securities Inc. served as co-arranger, co-administrative agent and collateral agent under the Credit Agreement, and affiliates of ABN AMRO Rothschild LLC and Dresdner Kleinwort Wasserstein Securities LLC are lenders under the Credit Agreement. Affiliates of J.P. Morgan Securities Inc. and Lehman Brothers Inc. have agreed to provide us with the Term Loan Facility. In connection with its participation in this offering, Wedbush Morgan Securities Inc. has agreed to pay to UnionBanc Investment Services, Inc., an affiliate of Union Bank of California, N.A., a lender under the Credit Agreement, a mutually agreed upon fee in return for UnionBanc Investment Services, Inc. s referral of Wedbush Morgan Securities Inc. to us. Moreover, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC s public reference room at 100 F. Street N.E., NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov. You can also find more information about us at our Internet website located at http://www.dynegy.com. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports are available free of charge on our Internet website as soon as reasonably practicable after we electronically file such material with the SEC. Except for such reports that may be specifically incorporated by reference in this prospectus supplement or the accompanying prospectus, information contained on our website does not constitute part of such prospectus or this prospectus supplement. You may obtain a copy of these filings, at no cost, by writing or telephoning our Investor Relations Department at the following address:

Dynegy Inc.

1000 Louisiana, Suite 5800

Houston, Texas 77002

Attention: Investor Relations Department

Telephone: (713) 507-6400

DOCUMENTS INCORPORATED BY REFERENCE

The following documents heretofore filed by us with the SEC (other than information furnished pursuant to Item 2.02 or Item 7.01 (including any financial statements or exhibits relating thereto furnished pursuant to Item 9.01) of any Current Report on Form 8-K, unless expressly stated otherwise in such Current Report on Form 8-K) are incorporated by reference in this prospectus supplement:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed on March 15, 2006;

Our Amendment No. 1 to our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed on May 1, 2006;

Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 filed on May 10, 2006;

Our Current Report on Form 8-K filed on January 6, 2006;

Our Current Report on Form 8-K filed on March 9, 2006;

Our Current Report on Form 8-K filed on March 16, 2006;

Our Current Report on Form 8-K filed on March 17, 2006;

Our Current Report on Form 8-K filed on March 29, 2006;

Our Current Report on Form 8-K filed on March 30, 2006;

Our Current Report on Form 8-K/A filed on April 3, 2006;

Our Current Report on Form 8-K filed on April 12, 2006;

Our Current Report on Form 8-K filed on April 20, 2006;

Our Current Report on Form 8-K filed on April 21, 2006;

Our Current Report on Form 8-K filed on May 1, 2006;

Our Current Report on Form 8-K filed on May 2, 2006;

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Our Current Report on Form 8-K filed on May 16, 2006; and

The description of our common stock which is contained on our Registration Statement on Form 8-A/A, filed on January 16, 2004, under the Exchange Act, as amended by our Registration Statement on Form 8-A/A filed on March 15, 2006 and including any amendment or report filed for the purpose of updating such description.

In addition, all documents filed by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus supplement and until we sell all of the securities that may be offered by this prospectus supplement (other than information furnished pursuant to Item 2.02 or Item 7.01 (including any financial statements or exhibits relating thereto furnished pursuant to Item 9.01) of any Current Report on Form 8-K, unless expressly stated otherwise in such Current Report on Form 8-K) are also incorporated by reference in this prospectus supplement.

Any statement contained herein or incorporated by reference in a document incorporated or deemed to be incorporated by reference herein shall be deemed modified or superseded for purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supercedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus supplement.

We will provide without charge to each person to whom this prospectus supplement is delivered upon request of such person a copy of any or all of the documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be directed to us at our address above.

LEGAL MATTERS

Certain legal matters in connection with the offering and sale of the Class A common stock will be passed upon for us by Akin Gump Strauss Hauer & Feld LLP. The validity of our Class A common stock offered hereby will be passed upon for us by Mayer, Brown, Rowe & Maw LLP. The underwriters have been represented in connection with this offering by Cravath, Swaine & Moore LLP, New York, New York.

EXPERTS

The consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) of Dynegy Inc. incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K for the year ended December 31, 2005, as amended, have been so incorporated in reliance on the report (which contains (i) explanatory paragraphs that emphasize Dynegy is the subject of substantial litigation and that the consolidated financial statements as of December 31, 2005 and 2004 and for the year ended December 31, 2005 have been restated and (ii) an adverse opinion on the effectiveness of internal control over financial reporting) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of West Coast Power LLC incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K of Dynegy Inc. for the year ended December 31, 2005, as amended, have been so incorporated in reliance on the report (which contains an explanatory paragraph that emphasizes West Coast Power LLC is the subject of substantial litigation) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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PROSPECTUS

DYNEGY INC.

$1,000,000,000

Debt Securities, Class A Common Stock,

Stock Purchase Contracts, Stock Purchase Units,

Preferred Stock, Depositary Shares,

Warrants, Trust Debentures

and Guarantee of Trust Preferred Securities

DYNEGY CAPITAL TRUST III

Trust Preferred Securities

Guaranteed by Dynegy Inc.

We may offer and sell, from time to time:

- debt securities;
- shares of Class A common stock;
- shares of preferred stock, which may be issued as depositary shares evidenced by depositary receipts;
- warrants to purchase debt securities, preferred stock, or Class A common stock;
- stock purchase contracts;
- stock purchase units;

trust debentures to be purchased by Dynegy Capital Trust III; or

a guarantee of trust preferred securities sold by Dynegy Capital Trust III.

Dynegy Capital Trust III may offer and sell, from time to time, trust preferred securities representing undivided beneficial interests in the assets of Dynegy Capital Trust III.

The aggregate initial public offering prices of the securities offered by Dynegy Inc. and Dynegy Capital Trust III will not exceed $1,000,000,000.

This prospectus provides you with a general description of the securities which may be offered. Each time securities are sold, we will provide a supplement to this prospectus that contains specific information about the offering and the terms of the securities. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus and any supplement before you invest in any of our securities.

Our Class A common stock is listed on the New York Stock Exchange under the symbol DYN.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus is dated July 27, 2001

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We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and the accompanying prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement as if we had authorized it. This prospectus and the accompanying prospectus supplement are not an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate. This prospectus and the accompanying prospectus supplement are not an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. The information contained in this prospectus and the accompanying prospectus supplement is accurate as of the dates on their covers. When we deliver this prospectus or a prospectus supplement or make a sale pursuant to this prospectus, we are not implying that the information is current as of the date of the delivery or sale.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we refer to as the SEC, using a shelf registration process. Under this shelf process, we may, over time, sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $1 billion. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. This prospectus does not contain all of the information included in the registration statement. For a complete understanding of the offering of securities, you should refer to the registration statement relating to this prospectus, including its exhibits. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.

In this prospectus, references to Dynegy, the Company, we, us and our refer to Dynegy Inc., and not to Dynegy Capital Trust III, unless we s otherwise or the context indicates otherwise. References to the trust refer to Dynegy Capital Trust III.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the following locations of the SEC:

Public Reference Room	New York Regional Office	Chicago Regional Office
450 Fifth Street, N.W.	7 World Trade Center	Citicorp Center
Room 1024	Suite 1300	500 West Madison Street
Washington, D.C. 20549	New York, N.Y. 10048	Suite 1400
		Chicago, Illinois 60661-2551

You may also obtain copies of this information by mail from the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330.

The SEC also maintains an internet web site that contains reports, proxy statements and other information about issuers, like us, who file reports electronically with the SEC. The address of that site is http://www.sec.gov.

You may also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

INFORMATION WE INCORPORATE BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means:

- incorporated documents are considered part of the prospectus;
- we can disclose important information to you by referring you to those documents; and
- information that we file with the SEC will automatically update this prospectus.

We incorporate by reference the documents listed below which we have previously filed with the SEC under the Securities Exchange Act of 1934:

- The description of our common stock contained in our Registration Statement on Form 8-A, as filed with the SEC on February 2, 2000.
- Our Annual Report on Form 10-K for the year ended December 31, 2000.
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

Our Current Reports on Form 8-K, filed with the SEC on January 16, 2001, February 14, 2001, May 16, 2001 and June 26, 2001. We also incorporate by reference each of the documents that we file in the future with the SEC under Sections 13(a), 13(c), 14 or 15(a) of the Securities Exchange Act of 1934 until we sell all of the securities described in this prospectus.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing) at no cost, by writing or telephoning us at the following address:

Dynegy Inc.

1000 Louisiana, Suite 5800

Houston, Texas 77002

Attention: Investor Relations

(713) 507-6400

Our web site address is www.dynegy.com. The information on our web site is not incorporated by reference into this prospectus.

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UNCERTAINTY OF FORWARD-LOOKING STATEMENTS

Our reports, filings and other public announcements often include statements reflecting assumptions, expectations, projections, intentions or beliefs about future events. These statements are intended as forward-looking statements under the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, project, forecast, may, will, should, expect and other words of similar meaning. In particular, these include, but limited to, statements relating to the following:

- Projected operating or financial results;
- Pending or recent acquisitions, including the anticipated closing date, expected cost savings or synergies and the accretive or dilutive impact of an acquisition on earnings;
- Expectations regarding transaction volume and liquidity in wholesale energy markets in the U.S. and Europe;
- Beliefs or assumptions about the outlook for deregulation of retail and wholesale energy markets in the U.S. and Europe and anticipated business developments in such markets;
- Our ability to effectively compete for market share with industry participants;
- The expected commencement date for commercial operations for new power plants; and
- Anticipated developments with respect to demand for broadband services and applications and our strategic plans in connection therewith.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties, including the following:

- The timing and extent of changes in commodity prices for energy, particularly natural gas, electricity and natural gas liquids, or communications products or services;
- The timing and extent of deregulation of energy markets in the U.S. and Europe and the rules and regulations adopted on a transitional basis in such markets;
- The condition of the capital markets generally, which will be affected by interest rates, foreign currency fluctuations and general economic conditions, as well as our ability to maintain our investment grade credit ratings;
- The effectiveness of our risk-management policies and procedures and the ability of our trading counterparties and customers to satisfy their financial commitments;

The liquidity and competitiveness of wholesale trading markets for energy commodities, including the impact of electronic or online trading in these markets;

Operational factors affecting the start up or ongoing commercial operations of our power generation or midstream natural gas facilities, including catastrophic weather related damage, unscheduled outages or repairs, unanticipated changes in fuel costs or availability, the unavailability of gas transportation, the unavailability of electric transmission service or workforce issues;

Uncertainties regarding the development of, and competition within, the market for broadband services in the U.S. and Europe, including risks relating to competing technologies and standards, regulation, capital costs and the timing and amount of customer demand for high bandwidth applications;

Cost and other effects of legal and administrative proceedings, settlements, investigations and claims, including environmental liabilities that may not be covered by indemnity or insurance; and

Other U.S. or European regulatory or legislative developments that affect the demand for energy generally, increase the environmental compliance cost for our power generation or midstream gas facilities or impose liabilities on the owners of such facilities.

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Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements.

All of our forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this prospectus.

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THE COMPANY

We are a leading provider of energy and communications solutions to customers in North America, the United Kingdom and Continental Europe. Our expertise extends across the entire convergence value chain, from broadband, power generation and wholesale and direct commercial and industrial marketing and trading of power, natural gas, coal, emission allowances and weather derivatives to transportation, gathering and processing of natural gas liquids. We also are involved in the transmission and distribution of electricity and natural gas and we provide retail service to electric and natural gas consumers.

Our operations are reported in four segments: Dynegy Marketing and Trade, Dynegy Midstream Services, Transmission and Distribution and Dynegy Global Communications. Dynegy Marketing and Trade is actively engaged in value creation through marketing and trading of natural gas, power, coal and emission allowances and the generation of electricity. Dynegy Midstream Services consists of our North American gathering and processing and midstream liquids operations, global liquefied petroleum gas transportation and natural gas liquids marketing operations. Our Transmission and Distribution segment includes the operations of Illinois Power Company, a natural gas and electric utility in Illinois. Dynegy Global Communications was formed subsequent to the acquisition of Extant, Inc. on September 29, 2000. Dynegy Global Communications will continue to pursue other communications opportunities as it seeks to develop a worldwide bandwidth marketing and trading operation.

Our principal executive office is located at 1000 Louisiana, Suite 5800, Houston, Texas 77002, and the telephone number of that office is (713) 507- 6400.

THE TRUST

Dynegy Capital Trust III, which we refer to as the trust, is a statutory business trust created under Delaware law through the filing of a certificate of trust with the Delaware Secretary of State on February 2, 2000. The trust s business is defined in a declaration of trust, dated as of February 1, 2000, executed by us, as sponsor, and the trustees. The declaration of trust will be amended and restated in its entirety as of the date trust preferred securities are initially issued. The declaration, as amended and restated, is referred to in this prospectus as the trust agreement. The trust agreement has been qualified under the Trust Indenture Act of 1939.

The trust exists for the exclusive purposes of:

- issuing and selling the trust preferred securities and trust common securities;
- using the proceeds from the sale of the trust preferred securities and trust common securities to acquire the trust debentures; and
- engaging in only those other activities necessary or incidental to these purposes.

The trust s business and affairs will be conducted by its trustees, as provided in the trust agreement. At the time of the issuance of the trust preferred securities, the trustees for the trust will be initially Bank One Trust Company, National Association, as the property trustee, Bank One Delaware, Inc., as the Delaware trustee, and three of our employees, as administrative trustees. The property trustee and the Delaware trustee, together with the administrative trustees, are collectively referred to as the trustees in this prospectus. The holder of the common securities of the trust or, if an event of default under the trust agreement has occurred and is continuing, the holders of not less than a majority in liquidation amount of the trust preferred securities, will be entitled to appoint, remove or replace the property trustee and the Delaware trustee. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees. Such voting rights will be vested exclusively in the holder of the common securities of the trust.

The trust will have no assets other than the trust debentures. The trust will have no revenue other than payments under the trust debentures. The trust has a term of 35 years, but may dissolve earlier as provided in the trust agreement.

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We will, directly or indirectly, acquire all of the trust common securities of the trust, which will have an aggregate liquidation amount equal to at least 3% of the total capital of the trust.

For so long as the trust preferred securities remain outstanding, we will:

- maintain directly or indirectly 100% ownership of the trust common securities;
- use our reasonable efforts to cause the trust to remain a statutory business trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the trust agreement;
- use our reasonable efforts to ensure that the trust will not be an investment company for purposes of the Investment Company Act of 1940;
- use our reasonable efforts to cause the trust to continue to be treated as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes; and
- use our reasonable efforts to cause each holder of common securities or preferred securities of the trust to be treated as owning an undivided beneficial interest in the trust debentures.

The rights of the holders of the trust preferred securities are set forth in the trust agreement and the Delaware Business Trust Act. The location of the principal executive office of the trust is c/o Dynegy Inc., 1000 Louisiana, Suite 5800, Houston, Texas 77002, and its telephone number is 713-507-6400.

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USE OF PROCEEDS

Unless otherwise indicated in an accompanying prospectus supplement, we intend to use the proceeds from the sale of the securities for general corporate purposes, which may include repayment of indebtedness, acquisitions, additions to our working capital or capital expenditures.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for the periods shown.

	Year Ended December 31,				
Three Months Ended March 31, 2001	**2000**	**1999**	**1998**	**1997**	**1996**
2.97	2.80	2.44	2.23	(a)	4.09

(a) Earnings were inadequate to cover fixed charges for the year ended December 31, 1997, by approximately $72.9 million.

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes and fixed charges (excluding capitalized interest) less undistributed income from equity investees. Fixed charges consist of interest expense; amortization of deferred financing costs; interest capitalized during the year; amortization of interest rate hedges; minority interest in income of a subsidiary; and the portion of lease rental expense representative of the interest factor attributable to such leases.

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DESCRIPTION OF DEBT SECURITIES

The following description sets forth the general terms and provisions of our debt securities, consisting of debentures, notes or other evidences of indebtedness, that we may offer by this prospectus. We will describe the particular terms of the debt securities, and provisions that vary from those described below, in one or more prospectus supplements.

The debt securities will constitute either senior or subordinated debt. As required by U. S. federal law, debt securities are governed by a document called an indenture. The indenture is a contract between us and an entity that serves as trustee. The trustee has two main roles:

- the trustee can enforce your rights, including rights you have against us if we default; and
- the trustee performs administrative duties for us, such as sending you interest payments, transferring your debt securities to a new buyer if you sell and sending you notices.

Senior debt securities will be issued under a senior debt indenture to be entered into between us and Bank One Trust Company, National Association, as trustee. Subordinated debt securities will be issued under a subordinated debt indenture to be entered into between us and Bank One Trust Company, National Association, as trustee. The senior debt indenture and the subordinated debt indenture are sometimes collectively referred to in this prospectus as the indentures. We have filed forms of the senior debt indenture and the subordinated debt indenture as exhibits to the registration statement of which this prospectus is a part.

The following description is a summary of selected provisions relating to the debt securities and the indentures. The summary is not complete. You should not rely on this summary, because the indentures define your rights as a holder of the debt securities.

Our trust debentures are separately described in this prospectus under the caption Description of Trust Debentures.

Provisions Applicable to Both Senior and Subordinated Debt Securities

General. The debt securities will represent unsecured senior or subordinated obligations and may be issued from time to time in one or more series. The indentures do not limit the amount of debt securities, debentures, notes or other types of indebtedness that we or any of our subsidiaries may issue nor do the indentures restrict transactions between us and our affiliates or the payment of dividends or other distributions by us to our shareholders. In addition, other than as may be set forth in any prospectus supplement, the indentures do not and the debt securities will not contain any covenants or other provisions that are intended to afford holders of the debt securities special protection in the event of either a change of control or a highly leveraged transaction involving us.

A prospectus supplement and a supplemental indenture relating to any series of debt securities offered by us will include specific terms relating to the offering. These terms will include some or all of the following:

- the title and classification of the debt securities;
- any rights of the holders of the debt securities to convert the debt securities into common stock and the terms and conditions governing such conversion or exchange;
- any limit on the total principal amount of the debt securities;
- the price or prices at which the debt securities will be issued;

whether the debt securities are to be issuable as registered securities or bearer securities or both;

whether any of the debt securities are to be issuable initially in temporary global form or permanent global form;

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the date or dates on which principal will be payable or how to determine such dates;

the interest rate or the method for determining the rate that the debt securities will bear and the date from which any interest will accrue;

the interest payment dates for the debt securities;

any mandatory or optional sinking fund or analogous provisions;

the place where we will pay, or the method of payment of, principal, premium and interest on the debt securities;

any optional redemption periods and prices;

the denominations in which we will issue the debt securities that are registered securities, if other than $1,000 and any integral multiple thereof, and the denominations in which we will issue the debt securities that are bearer securities, if other than $5,000 and any integral multiple thereof;

the currency or currencies in which we will pay principal, premium and interest on the debt securities;