

DYNEGY INC /IL/
Form DEF 14A
April 03, 2006

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

Dynegy Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 3, 2006

To our shareholders:

It is my pleasure to invite you to attend the 2006 annual meeting of shareholders of Dynegey Inc., which will be held on Wednesday, May 17, 2006 at 10:00 a.m., local time, at Dynegey s headquarters, Wells Fargo Plaza, 1000 Louisiana Street, 71st Floor, Houston, Texas 77002.

At the annual meeting, in addition to acting on the matters described in the attached proxy statement, we plan to review our progress over the past year and discuss the next phase of our development. There will also be an opportunity to discuss other matters of interest to you as a shareholder.

It is important that your shares be represented and voted at the annual meeting. Please sign, date and mail the enclosed proxy card in the envelope provided, even if you plan to attend the meeting in person. You may also vote your shares by telephone or through the Internet as described on the enclosed proxy card.

Because of limited seating, only shareholders, their proxy holders and our guests may attend the meeting. If you plan to attend the annual meeting, you must be a shareholder of record as of March 22, 2006 or, if you have beneficial ownership of shares of our common stock held by a bank, brokerage firm or other nominee, you must bring a brokerage statement or other evidence of your beneficial ownership of common stock as of March 22, 2006 in order to be admitted to the meeting.

I look forward to seeing you in Houston on May 17.

Sincerely,
Bruce A. Williamson
Chairman and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD WEDNESDAY, MAY 17, 2006

To our shareholders:

NOTICE IS HEREBY GIVEN, that the 2006 annual meeting of shareholders of Dynegy Inc., an Illinois corporation, will be held on Wednesday, May 17, 2006 at 10:00 a.m., local time, at Dynegy's headquarters, Wells Fargo Plaza, 1000 Louisiana Street, 71st Floor, Houston, Texas 77002 for the following purposes:

1. To elect eight Class A common stock directors and two Class B common stock directors to serve until the 2007 annual meeting of shareholders;
2. To act upon a proposal to amend our articles of incorporation to remove the provision specifying a minimum and maximum number of directors;
3. To act upon a proposal to amend and restate our articles of incorporation to eliminate unnecessary and outdated provisions;
4. To act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as Dynegy's independent registered public accountants for the fiscal year ending December 31, 2006; and
5. To act upon any other matters that may properly come before the meeting (including a proposal to adjourn the meeting to solicit additional proxies) or any reconvened meeting after an adjournment or postponement of the meeting.

The close of business on March 22, 2006 has been fixed as the record date for the determination of shareholders entitled to receive notice of and to vote at the annual meeting and any reconvened meeting after an adjournment or postponement of the meeting.

You are cordially invited to attend the meeting. **WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE. A SELF-ADDRESSED, POSTAGE-PAID ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. ALTERNATIVELY, YOU MAY VOTE YOUR SHARES BY TELEPHONE OR THROUGH THE INTERNET AS DESCRIBED ON THE ENCLOSED PROXY CARD.**

By Order of the Board of Directors,

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

J. Kevin Blodgett
General Counsel, Executive Vice President,

Administration and Secretary

April 3, 2006

DYNEGY INC.

1000 Louisiana Street, Suite 5800

Houston, Texas 77002

(713) 507-6400

PROXY STATEMENT

GENERAL INFORMATION

The Board of Directors of Dynegy Inc. is soliciting the enclosed proxy for use at the 2006 annual meeting of shareholders to be held on Wednesday, May 17, 2006 at 10:00 a.m., local time, at Dynegy's headquarters, Wells Fargo Plaza, 1000 Louisiana Street, 71st Floor, Houston, Texas 77002, or at any reconvened meeting after an adjournment or postponement of the meeting. This proxy statement, the notice of annual meeting, the proxy card and our Annual Report to Shareholders for the year ended December 31, 2005, including financial statements, will be first mailed to shareholders on or about April 3, 2006. The Annual Report to Shareholders does not constitute part of the proxy soliciting material.

Quorum and Vote Required

Quorum and Broker Non-Votes. The presence of a majority of the votes of the shares of our Class A common stock and our Class B common stock, counted together, represented in person or by proxy at the annual meeting and entitled to vote on a matter, will constitute a quorum for consideration of that matter at the meeting. Abstentions and broker non-votes are counted in determining the number of shares represented in person or by proxy at the meeting. A broker non-vote occurs if a broker or other nominee who holds shares in street name for customers who are beneficial owners of those shares does not have discretionary authority with respect to the voting of the shares and has not received instructions with respect to a particular item from the customer. Broker non-votes as to a particular matter do not count toward the determination of the shares represented in person or by proxy and entitled to vote on that matter.

Under the rules of the New York Stock Exchange, or NYSE, in effect at the time this proxy statement was printed, if you hold your shares through a broker, your broker is permitted to vote your shares on routine matters, which includes the election of directors and the ratification of the independent auditor, even if the broker does not receive instructions from you. Your shares will be voted with respect to the two proposals to amend our articles of incorporation only if you have provided specific voting instructions to your broker. Failure to provide your broker with instructions regarding these two proposals will constitute a vote against such matters.

Election of Directors. Ten persons have been nominated by the Board of Directors for election to serve as directors of Dynegy for a one-year term. In accordance with our Amended and Restated Articles of Incorporation, which we refer to as our Articles of Incorporation, of the ten director nominees, eight are to be elected by the holders of our Class A common stock and two are to be elected by the holder of our Class B

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

common stock. The affirmative vote of a majority of the votes of the shares of Class A common stock represented in person or by proxy and entitled to vote is required to elect a Class A common stock director. Under Illinois law, our Articles of Incorporation and our Amended and Restated Bylaws, which we refer to as our Bylaws, abstentions have the effect of votes against the election of the director nominees.

Under Illinois law and our Articles of Incorporation, holders of Class A common stock are entitled to cumulate their votes in the election of the Class A common stock directors. All holders of Class A common stock are entitled to eight votes (the number of Class A common stock directors to be elected) for each of their shares for candidates nominated to serve as Class A common stock directors. Holders of Class A common stock may:

Cast their votes equally for all candidates;

Cast all of their votes for any one candidate whose name has been placed in nomination prior to voting; or

Distribute their votes among two or more candidates in any proportion.

The affirmative vote of a majority of the votes of the shares of Class B common stock represented in person or by proxy and entitled to vote is required to elect a Class B common stock director. Chevron U.S.A. Inc., a subsidiary of Chevron Corporation that we refer to as CUSA, as the holder of all our outstanding shares of Class B common stock, will be entitled to one vote for each share it holds in the election of the Class B common stock directors. Holders of our Class A common stock do not vote in the election of the Class B common stock directors.

Please read Proposal 1 Election of Directors below for a discussion of our director nominees and Corporate Governance below for a discussion of the affirmative independence determinations made by the Board with respect to such director nominees.

Amendment of Articles of Incorporation Remove Provision Specifying Number of Directors. Under Illinois law, the holders of our Class A common stock and the holder of our Class B common stock are entitled to vote, each as a separate class, on the proposal to amend our Articles of Incorporation to remove the provision specifying a minimum and maximum number of directors. Each holder of our Class A common stock and Class B common stock is entitled to one vote for each share held. The affirmative vote of two-thirds of the outstanding shares of each of the Class A common stock and the Class B common stock, each voting as a separate class, is required to approve this matter. Abstentions and broker non-votes will have the same effect as a vote against the approval of the proposal to amend our Articles of Incorporation to remove the provision specifying a minimum and maximum number of directors.

Amendment and Restatement of Articles of Incorporation Eliminate Unnecessary and Outdated Provisions. The holders of our Class A common stock and the holder of our Class B common stock are entitled to vote together as a single class on the proposal to amend and restate our Articles of Incorporation to eliminate unnecessary and outdated provisions. Each holder of our Class A common stock and Class B common stock is entitled to one vote for each share held. The affirmative vote of two-thirds of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class, is required to approve this matter. Abstentions and broker non-votes will have the same effect as a vote against the approval of the proposal to amend and restate our Articles of Incorporation to eliminate unnecessary and outdated provisions.

Ratification of Independent Registered Public Accountants. The holders of our Class A common stock and the holder of our Class B common stock are entitled to vote together as a single class on the ratification of auditors. Each holder of our Class A common stock and Class B common stock is entitled to one vote for each share held. The affirmative vote of a majority of the shares of Class A common stock and Class B common stock, represented in person or by proxy and entitled to vote, is required to ratify the choice of auditors. Under Illinois law, an abstention has the same effect as a vote against ratification.

Record Date and Outstanding Shares

The Board of Directors has fixed the close of business on March 22, 2006 as the record date for determining holders of outstanding shares of Class A common stock and Class B common stock entitled to notice of and to vote at the meeting or any adjournment or postponement of the meeting. As of the record date, there were outstanding 305,778,683 shares of Class A common stock and 96,891,014 shares of Class B common stock. Class A common stock and Class B common stock are the only classes of outstanding securities entitled to notice of and to vote at the meeting.

Solicitation of Proxies

We will bear the cost of soliciting proxies. Proxies may be solicited by mail or facsimile, or by our directors, officers or employees, without extra compensation, in person or by telephone. We have retained Georgeson

Shareholder to assist in the solicitation of proxies for a fee of approximately \$40,000 plus out-of-pocket expenses. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of our common stock.

Questions concerning the proposals to be acted upon at the annual meeting should be directed to our Secretary at (713) 507-6400. Additional copies of this proxy statement or the proxy card may be obtained from our Investor Relations Department at our principal executive office. The mailing address of this office is 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, and the telephone number is (713) 507-6400. For a period of at least ten days prior to the annual meeting of shareholders, a complete list of shareholders entitled to vote at the annual meeting will be available for inspection during ordinary business hours at our executive offices by shareholders of record for proper purposes and will be on file at our registered office and subject to inspection by any shareholder.

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

Revocation of Proxies

The enclosed proxy, even though executed and returned, may be revoked at any time prior to the voting of the proxy by:

Executing and submitting a revised proxy (including a telephone or Internet vote);

Sending written notice of revocation to our Secretary at the address provided at the beginning of this proxy statement; or

Voting in person at the meeting.

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

Voting by Telephone or Internet

Shareholders of record can simplify their voting and reduce our costs by voting their shares by telephone or through the Internet. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, allow shareholders to vote their shares and confirm that their instructions have been properly recorded. If your shares are held in the name of a bank or broker, the availability of telephone and Internet voting will depend upon the voting processes of the bank or broker. Accordingly, shareholders should follow the voting instructions on the form they receive from their bank or broker. If you choose to cumulate your votes other than equally for all director nominees, you **MAY NOT** use telephone or Internet voting. Rather, you **MUST** vote by returning the enclosed proxy card in the envelope provided or by voting in person at the annual meeting.

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

Shareholders who elect to vote through the Internet may incur telecommunications and Internet access charges and other costs for which they are solely responsible. The telephone and Internet voting facilities for shareholders of record will close at 11:59 p.m., Eastern Time, on May 16, 2006. Instructions for voting by telephone or through the Internet are contained on the enclosed proxy card. Voting your shares by telephone or through the Internet will not affect your right to vote in person if you decide to attend the annual meeting; however, if you attend the annual meeting and vote using the enclosed proxy card, any votes you cast previously via telephone or the Internet will automatically be revoked and superseded by the votes reflected on your proxy card.

Voting by Mail

Shareholders who elect to vote by mail are asked to sign, date and return the enclosed proxy card using the postage-paid envelope provided. The persons named as proxies on the proxy card were designated by the Board

of Directors. Any proxy given pursuant to this solicitation and received prior to the meeting will be voted as specified in the proxy card. Unless you withhold authority to vote or instruct otherwise, your proxy will be voted **FOR** the election of the nominees to the Board of Directors, equally or cumulatively as the proxies may determine; **FOR** the proposal to amend our Articles of Incorporation to remove the provision specifying a minimum and maximum number of directors; **FOR** the proposal to amend and restate our Articles of Incorporation to eliminate unnecessary and outdated provisions; **FOR** ratification of the appointment of PricewaterhouseCoopers LLP; and in accordance with the judgment of the persons named on the proxy card on such other matters as may properly come before the meeting or any adjournment or postponement of the meeting.

Meeting Attendance

Because of limited seating, only shareholders, their proxy holders and our guests may attend the meeting. If you plan to attend the annual meeting, you must be a shareholder of record as of March 22, 2006 or, if you have beneficial ownership of shares of our common stock held by a bank, brokerage firm or other nominee, you must bring a brokerage statement or other evidence of your beneficial ownership of common stock as of March 22, 2006 in order to be admitted to the meeting. Dynegy will provide parking validation for the garages located at 1400 Louisiana Street or 930 Main Street, which are within short walking distance of the meeting site. Directions to the recommended parking garages and from each garage to the meeting site are located on the back cover of this proxy statement. Please bring your parking ticket to the shareholder check-in table for validation by a company representative.

Form 10-K

Shareholders may obtain, without charge, a copy of our 2005 Annual Report on Form 10-K as filed with the Securities and Exchange Commission, or SEC. For copies, please contact our Investor Relations Department at our principal executive office: Dynegy Inc., 1000 Louisiana Street, Suite 5800, Houston, Texas 77002. The Form 10-K is also available to the public through the SEC's web site at www.sec.gov and through our web site at www.dynegy.com.

Incorporation by Reference

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

CORPORATE GOVERNANCE

In November 2005, our Board of Directors unanimously adopted amended and restated Corporate Governance Guidelines developed and recommended by the Corporate Governance and Nominating Committee. The Corporate Governance Guidelines are posted in the Corporate Governance section of our web site at www.dynegy.com and are available upon request to our Secretary, together with the following documents:

Amended and Restated Bylaws;

Code of Business Conduct and Ethics;

Code of Ethics for Senior Financial Professionals;

Shareholder Communications Policy;

Complaint and Reporting Procedures for Accounting and Auditing Matters;

Audit and Compliance Committee Charter;

Compensation and Human Resources Committee Charter;

Corporate Governance and Nominating Committee Charter; and

Risk, Environment and Operations Committee Charter.

Corporate Governance Guidelines

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

The independence and other qualifications of our Board members, with respect to which we require that at least 60%, and preferably 75%, of our Board members be independent of Dynegy and our management;

The regular meetings of our non-management directors;

The nomination of persons for election to the Board;

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

The evaluation of performance of the Board and its committees;

Our expectation that Board members will attend all shareholder meetings;

The chairman of the board, or Chairman, and chief executive officer, or CEO, positions;

The approval of the compensation of the CEO; and

The review of performance-based compensation of our senior executives following a restatement that impacts the achievement of performance targets relating to that compensation.

Code of Business Conduct and Ethics

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

Code of Ethics for Senior Financial Professionals

Our Code of Ethics for Senior Financial Professionals applies to our CEO, chief financial officer, or CFO, Controller and other designated senior financial professionals. The key principles of this Code include acting legally and ethically, promoting honest business conduct and providing timely and meaningful financial disclosures to our shareholders.

Shareholder Communications Policy

Our Shareholder Communications Policy, amended and restated effective January 2006, provides a medium for shareholders to communicate with the Board of Directors. Under this Policy, which is posted on our web site at www.dynegy.com under Corporate Governance, shareholders may communicate with the Board of Directors or specific Board members by sending a letter to Dynegy Inc., Shareholder Communications with the Board of Directors, Attn: Secretary, 1000 Louisiana Street, Suite 5800, Houston, Texas 77002.

Complaint and Reporting Procedures for Accounting and Auditing Matters

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

Director Attendance at Annual Shareholders Meeting

As described above, we have a policy to facilitate shareholder communications with the Board of Directors. Additionally, as detailed in our Corporate Governance Guidelines, Board members are requested and encouraged to attend the annual shareholders meeting. All of the members of the Board of Directors then in office attended last year's annual shareholders meeting held on May 19, 2005.

Separation of Chairman and CEO; Lead Director

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

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

Affirmative Determinations Regarding Director Independence and Other Matters

The Board of Directors has determined each of the following directors and nominees to be independent as such term is defined in the NYSE Listed Company Standards:

Charles E. Bayless

David W. Biegler

Linda Walker Bynoe

Thomas D. Clark, Jr.

Barry J. Galt

Victor E. Grijalva

Patricia A. Hammick

George L. Mazanec

Robert C. Oelkers

Joe J. Stewart

William L. Trubeck

The Board of Directors has also determined that each member of the Audit and Compliance Committee, the Compensation and Human Resources Committee and the Corporate Governance and Nominating Committee meets the independence requirements applicable to those committees prescribed by the NYSE and the SEC. The Board of Directors has further determined that more than one of the members of the Audit and Compliance Committee, including its Chairman Robert C. Oelkers, is an audit committee financial expert as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC.

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

Director Nomination Process

Dynegy's director nominees are approved by the Board after considering the recommendation of the Corporate Governance and Nominating Committee. A copy of the Corporate Governance and Nominating Committee's charter is available in the Corporate Governance section of our

web site at www.dynegy.com.

The Board may be comprised of (i) up to three Class B directors, which directors are elected by the holder of the outstanding shares of Class B common stock pursuant to our Articles of Incorporation, and (ii) at least nine and up to twelve Class A directors, which directors are elected by the holders of the outstanding shares of Class A common stock. With respect to nominations for Class B director, our Articles of Incorporation provide that the Board will nominate such individuals as may be specified by a majority vote of the then sitting Class B directors or, if there are no such directors, by holders of a majority of the Class B common stock. The two Class B director nominees set forth in this proxy statement were specified by the unanimous vote of the current Class B directors.

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

All director nominees, whether put forth by a shareholder or otherwise, are evaluated in accordance with the qualifications set forth in our Corporate Governance Guidelines. These guidelines require that directors possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of our shareholders at large. They must also have an inquisitive and objective perspective, practical wisdom, mature judgment and sufficient personal resources such that any director compensation to be received from Dynegy would not be sufficiently meaningful to impact their judgment in reviewing matters coming before the Board. Finally, they must be able to work compatibly with the other members of the Board and otherwise have the experience and skills necessary to enable them to serve as productive members of the Board. Directors also must be willing to devote sufficient time to carrying out their fiduciary duties and other responsibilities effectively and should be committed to serve on the Board for an extended period of time. For additional information, please read our Corporate Governance Guidelines.

Except for Victor E. Grijalva, all of the director nominees set forth in this proxy statement and the accompanying proxy card are current directors standing for re-election.

For purposes of the 2007 annual shareholder meeting, the Corporate Governance and Nominating Committee will consider any nominations received by the Secretary from a shareholder of record on or before December 4, 2006 (the 120th calendar day before the one-year anniversary date of the release of these proxy materials to shareholders). See [Future Shareholder Proposals](#) below for more information. Any such nomination must be accompanied in writing by all information relating to such person that is required under the federal securities laws, including such person's written consent to be named in the proxy statement as a nominee and to serving as a director if elected. The nominating shareholder must also submit its name and address, as well as that of the beneficial owner if applicable, and the class and number of shares of Dynegy common stock that are owned beneficially and of record by such shareholder and such beneficial owner. Finally, the nominating shareholder must discuss the nominee's qualifications to serve as a director as described in our Corporate Governance Guidelines.

PROPOSAL 1

ELECTION OF DIRECTORS

Class A Common Stock Directors

Eight Class A common stock directors are to be elected at the annual meeting by the holders of Class A common stock to serve one-year terms. The affirmative vote of a majority of the votes of the shares of Class A common stock represented in person or by proxy and entitled to vote is required to elect a Class A common stock director. Under Illinois law, abstentions have the effect of votes against the election of the director nominees.

Under Illinois law and our Articles of Incorporation, holders of Class A common stock are entitled to cumulate their votes in the election of the Class A common stock directors. Each holder of Class A common stock is entitled to eight votes (the number of Class A common stock directors to be elected) for each of such holder's shares. Holders of Class A common stock may:

Cast their votes equally for all candidates;

Cast all of their votes for any one candidate whose name has been placed in nomination prior to voting; or

Distribute their votes among two or more candidates in any proportion.

If you choose to cumulate your votes other than equally, you **MAY NOT** use telephone or Internet voting. Rather, you **MUST** vote by signing, dating and returning the enclosed proxy card in the envelope provided or by attending the annual meeting and voting in person.

Unless you withhold authority to vote or instruct otherwise, the enclosed proxy will be voted **FOR** the election of the nominees listed below equally or cumulatively, as the proxies may determine. Although the Board of Directors does not contemplate that any of the nominees will be unable to serve, if such a situation arises prior to the annual meeting, the persons appointed in the enclosed proxy card will vote for the election of such other persons that may be nominated by the Board of Directors. Proxies given by holders of shares of Class A common stock may not be voted for a greater number of persons than the number of nominees named as candidates for Class A director.

Messrs. Bayless, Galt and Stewart and Ms. Bynoe, who currently serve as Class A directors, will be retiring from the Board as of the conclusion of the annual meeting and, therefore, are not standing for re-election. We thank Messrs. Bayless, Galt and Stewart and Ms. Bynoe for their services, contributions and leadership throughout their tenures as directors. Although each of Messrs. Bayless, Galt and Stewart and Ms. Bynoe are retiring, the Board currently intends to fill only Mr. Bayless' position on the Board. Accordingly, at the conclusion of the annual meeting and subject to shareholder approval of Proposal 2, the Board intends to take the necessary action to reduce the size of the Board to ten directors. Please read Proposal 2 - Approval of Amendment to the Articles of Incorporation to Remove the Provision Specifying a Minimum and Maximum Number of Directors below for a discussion of our proposal to amend our Articles of Incorporation to remove the provision specifying a minimum and maximum number of directors.

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

Because Messrs. Galt and Stewart and Ms. Bynoe have committed to retire from the Board, if Proposal 2 is not approved by at least two-thirds of the outstanding shares of each of the Class A common stock and the Class B common stock, each voting as a separate class, at least two vacancies will exist on the Board following the annual meeting. In that event, the remaining directors expect to initiate a search for qualified candidates to fill the vacancies in due course.

Class B Common Stock Directors

Two Class B common stock directors are to be elected at the annual meeting by the holder of our Class B common stock to serve one-year terms. The affirmative vote of a majority of the shares of Class B common stock

represented in person or by proxy and entitled to vote is required to elect a Class B common stock director. Under our Articles of Incorporation, CUSA, as the sole holder of Class B common stock, is entitled to nominate and elect up to three Class B common stock directors.

Board Vacancies and Nominees

Mr. Bayless, who has served as a director of Dynegy since 1999, is not standing for reelection. The Corporate Governance and Nominating Committee retained Korn/Ferry International to assist in identifying qualified candidates for Class A director to fill the vacancy created by Mr. Bayless pending retirement from the Board. The committee also received, in accordance with our comprehensive settlement agreement related to our shareholder class action litigation, from the lead plaintiff the names of five director candidates. With Korn/Ferry's assistance, the Corporate Governance and Nominating Committee evaluated potential director candidates (including those presented by the lead plaintiff) based upon a position specification and an analysis of the director nominee qualifications set forth in our Corporate Governance Guidelines.

After careful consideration of qualified candidates identified by the process described above, Mr. Bayless, a member of the Corporate Governance and Nominating Committee and a disinterested director (as defined by Section 7.85 of the Illinois Business Corporation Act) with respect to Chevron, recommended the nomination of Victor E. Grijalva, one of the director candidates identified by the lead plaintiff, as Mr. Bayless' successor as a disinterested director. Such recommendation is necessary (together with the absence of certain types of relationships between him and Chevron) to Mr. Grijalva's ability to act as disinterested director with respect to Chevron. Disinterested director approval of certain types of transactions with an interested shareholder (which Chevron may be) satisfies Section 7.85, which would otherwise require that such transactions receive shareholder supermajority approval or satisfy certain price and procedure requirements.

Following such recommendation, the Corporate Governance and Nominating Committee affirmatively determined that Mr. Grijalva met applicable director nominee standards, including independence, and unanimously ratified the recommendation that Mr. Grijalva be nominated as a Class A director.

In accordance with our Articles of Incorporation, the Class B directors recommended for nomination as Class B directors the two individuals named below as Class B director nominees.

The Class A directors on the Board ratified and approved the nomination of Mr. Grijalva as a candidate for election as a Class A director by holders of Dynegy's Class A common stock.

Considering the recommendation of the Corporate Governance and Nominating Committee with respect to additional Class A director nominees and the recommendation of such Committee and the Class B directors in accordance with our Articles of Incorporation with respect to Class B director nominees, the Board approved the nomination of the other individuals identified below as Class A directors or Class B directors, as indicated.

Information on Director Nominees

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

<u>Director Nominees</u>	<u>Principal Occupation and Directorships</u>	<u>Age as of</u>	
		<u>March 22,</u>	<u>Director</u>
		<u>2006</u>	<u>Since</u>
Class A Common Stock Directors			
Bruce A. Williamson	Chairman and CEO of Dynegy	46	2002
David W. Biegler	Chairman of Estrella Energy, L.P.; Director of Trinity Industries, Inc. and Austin Industries, Inc.	59	2003
Thomas D. Clark, Jr.	Director, DECIDE Board Room, E.J. Ourso College of Business Administration, Louisiana State University	65	2003
Victor E. Grijalva	Former Vice Chairman of Schlumberger Ltd., Former Chairman of Hanover Compressor Company and Former Chairman of Transocean, Inc.; Director of Hanover Compressor Company and Transocean, Inc.	67	N/A
Patricia A. Hammick	Former Senior Vice President, Strategy and Communications of Columbia Energy Group; Director of Consol Energy, Inc.	59	2003
George L. Mazanec	Retired Advisor to the Chief Operating Officer of Duke Energy Corporation and Former Vice Chairman of PanEnergy Corporation; Director of National Fuel Gas Company, Northern Trust Bank of Texas, NA and AEGIS Insurance Services, Inc.	69	2004
Robert C. Oelkers	Retired Vice President and Comptroller of Texaco Inc.	61	2002
William L. Trubeck	Executive Vice President and Chief Financial Officer of H&R Block, Inc.; Director of YRC Worldwide	59	2003
		<u>Age as of</u>	
		<u>March 22,</u>	<u>Director</u>
<u>Director Nominees</u>	<u>Principal Occupation and Directorships</u>	<u>2006</u>	<u>Since</u>
Class B Common Stock Directors			
Rebecca Roberts	President, Global Power Generation, CUSA	53	2006
Howard B. Sheppard	Assistant Treasurer, Chevron Corp.	60	2004

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

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

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

David W. Biegler was elected to the Board in April 2003. Since August 2003, he has served as Chairman of Estrella Energy, L.P., which was formed to engage in the acquisition, construction and management of natural gas industry assets. From 1997 until 2001, he served as President and Chief Operating Officer of TXU Corporation, which engages in power generation and energy marketing and provides electric and natural gas utility services and other energy-related services. From 1993 to 1997, he served as Chairman, President and Chief Executive Officer of ENSERCH Corp. Mr. Biegler is also the retired Vice Chairman of TXU Corporation. He currently serves as a Director of Trinity Industries, Inc. and Austin Industries, Inc.

Thomas D. Clark, Jr. was elected to the Board in July 2003. Mr. Clark is the Edward G. Schlieder Distinguished Chair of Information Science at Louisiana State University. Mr. Clark also serves as Vice Chairman of the Board of the Louisiana Tobacco Settlement Corp. and on the boards of several community organizations and four privately-held companies. Mr. Clark was previously Dean of the E.J. Ourso College of Business Administration at Louisiana State University. Prior to this position, he was the Gage Crocker Outstanding Professor at the Air Force Institute of Technology where he served in the School of Engineering. Mr. Clark is also a Director of the DECIDE Board Room at Louisiana State University.

Victor E. Grijalva has been nominated to serve on our Board of Directors as an independent director. Mr. Grijalva has served as a director of Hanover Compressor Company since 2002 and formerly served as Chairman of Hanover's Board from 2002 to 2005. From August 2 to August 19, 2002, Mr. Grijalva served as interim President and Chief Executive Officer of Hanover. Mr. Grijalva is the retired Vice Chairman of Schlumberger Limited. Before serving as Vice Chairman, he served as Executive Vice President of Schlumberger's Oilfield Services division from 1994 to January 1999 and as Executive Vice President of Schlumberger's Wireline, Testing and Anadrill division from 1992 to 1994. He retired from Schlumberger in December 2001. Mr. Grijalva is also a director of Transocean, Inc., where he served as Chairman of the Board from 1999 to 2002.

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

George L. Mazanec was elected to the Board in May 2004. He has served as a member of the board of directors of National Fuel Gas Company, a diversified energy company, since October 1996. Mr. Mazanec was Advisor to the Chief Operating Officer of Duke Energy Corporation from August 1997 to 2000, and Vice Chairman of PanEnergy Corporation from 1989 until October 1996. He previously served as a director of TEPPCO, LP from 1992 to 1997, as a director of Northern Border Pipeline Company Partnership from 1993 to 1998, and as a director of Westcoast Energy Inc. from 1996 to 2002. Mr. Mazanec is the former Chairman of the Management Committee of Maritimes & Northeast Pipeline, L.L.C. and currently serves as a director of the Northern Trust Bank of Texas, NA, National Fuel Gas Company and AEGIS Insurance Services, Inc. He has also served as a Member of the Board of Trustees of DePauw University since 1996.

Robert C. Oelkers was elected to the Board in August 2002. He served as President of Texaco International Trader Inc. from April 1999 until his retirement in October 2001. Mr. Oelkers served as Vice President and Comptroller of Texaco Inc. from April 1994 until March 1999. Mr. Oelkers was employed by Texaco Inc. from 1966 until his retirement. Mr. Oelkers also served as a member of the Financial Accounting Standards Board's Advisory Committee from 1997 through 2000.

William L. Trubeck was elected to the Board in April 2003. He has served as Executive Vice President and Chief Financial Officer of H&R Block, Inc. since October 2004. He previously served Waste Management as

Executive Vice President of its Western Group from April 2003 until July 2004, Executive Vice President, Operations Support, and Chief Administrative Officer from May 2002 until April 2003 and Executive Vice President and Chief Financial Officer from March 2001 until April 2002. He was Senior Vice President Finance and Chief Financial Officer of International Multifoods, Inc. from March 1997 until March 2000, and President, Latin American Operations of International Multifoods, Inc. from May 1998 until March 2000. He has served as a director of YRC Worldwide since 1994 and as chairman of its audit committee since April 2002.

Rebecca Roberts was appointed to the Board in March 2006. She has served as President of Global Power Generation of CUSA since October 2003. She has previously served as Vice President, Asset Management Worldwide Power & Gasification of ChevronTexaco from October 2001 until October 2003 and as President, Compania Texaco de Panama from February 2000 until October 2001.

Howard B. Sheppard was appointed to the Board in March 2004. He has served as Assistant Treasurer of Chevron Corp. since April 1985. Mr. Sheppard has been employed by Chevron and its affiliates since the merger of Gulf Oil Corporation with Chevron Corporation in 1985. Prior to the merger, he held positions of increasing responsibility at Gulf Oil, advancing over a 16-year period to Assistant Treasurer.

The Board of Directors unanimously recommends that shareholders vote **FOR** the election of these nominees to the Board of Directors.

Directors Meetings and Committees of the Board of Directors

During 2005, our Board of Directors held 14 meetings. Each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees on which he or she served during the period for which he or she has been a director. Under our Corporate Governance Guidelines, directors who are not members of a particular committee are entitled to attend meetings of each such committee.

After last year's annual meeting, we changed the composition of some of the committees of the Board of Directors. We have provided the information below regarding committee members and the number of meetings held in 2005 in two separate tables to reflect these changes.

The following table reflects the members of each of the Board's committees and the number of meetings in 2005 prior to last year's annual meeting.

	Audit & Compliance	Compensation & Human Resources	Corporate Governance & Nominating	Risk, Environment & Executive Operations
Bruce A. Williamson			CHAIR	CHAIR
Charles E. Bayless	X	X	CHAIR	X
David W. Biegler			X	X
Linda Walker Bynoe	X	X		
Thomas D. Clark, Jr.			X	X
Barry J. Galt	X	CHAIR		X

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

Patricia A. Hammick	X			X	
George L. Mazanec	X		X		
Robert C. Oelkers(1)	CHAIR		X	X	
Joe J. Stewart		X		X	CHAIR
William L. Trubeck	X	X			
Howard B. Sheppard				X	
Raymond I. Wilcox(2)					X
Number of Meetings from January 1, 2005 through May 19, 2005	7	3	2	0	1

(1) Audit Committee Financial Expert

(2) Mr. Wilcox retired from the Board on March 8, 2006 and Rebecca Roberts was designated to take his place on the Board and on the Risk, Environment & Operations Committee.

The following table reflects the members of each of the Board's Committees and the number of meetings held in 2005 following last year's annual meeting.

	Corporate				Risk, Environment and Operations
	Audit &	Compensation &	Governance and		
	<u>Compliance</u>	<u>Human Resources</u>	<u>Nominating</u>	<u>Executive</u>	
Bruce A. Williamson				CHAIR	
Charles E. Bayless	X		X		
David W. Biegler		X	X		
Linda Walker Bynoe	X		X		
Thomas D. Clark, Jr.		X	CHAIR	X	
Barry J. Galt		CHAIR	X	X	
Patricia A. Hammick				X	
George L. Mazanec	X				X
Robert C. Oelkers(1)	CHAIR			X	X
Joe J. Stewart		X		X	CHAIR
William L. Trubeck	X				X
Howard B. Sheppard				X	
Raymond I. Wilcox(2)					X
Number of Meetings following May 19, 2005	6	4	2	0	2

(1) Audit Committee Financial Expert

(2) Mr. Wilcox retired from the Board on March 8, 2006 and Rebecca Roberts was designated to take his place on the Board and on the Risk, Environment & Operations Committee.

The Board of Directors has the following committees:

Audit and Compliance Committee. The Audit and Compliance Committee, which currently is comprised of Messrs. Oelkers (chairman), Bayless, Mazanec and Trubeck and Ms. Bynoe, met a total of 13 times during 2005. The Audit and Compliance Committee assists the Board of Directors in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements and our Code of Business Conduct and Ethics, our independent auditors' qualifications and independence, the performance of our internal audit function and the independent auditors and the performance of our risk assessment and risk management policies. Please read *Audit and Compliance Committee Report* for a discussion of the Audit and Compliance Committee's review of our 2005 audited financial statements.

Compensation and Human Resources Committee. The Compensation and Human Resources Committee, which currently is comprised of Messrs. Galt (chairman), Biegler, Clark and Stewart, met a total of seven times during 2005. The Compensation and Human Resources Committee is responsible for reviewing and approving corporate goals and objectives relevant to compensation of the CEO and other related matters, making recommendations to the Board regarding non-CEO compensation and incentive plans and providing an annual compensation report. This committee also establishes our overall compensation strategy and reviews executive development and executive succession plans. Please read *Compensation and Human Resources Committee Report on Executive Compensation* for a discussion of our 2005 executive compensation.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee, which currently is comprised of Messrs. Clark (chairman), Bayless, Biegler and Galt and Ms. Bynoe, met a total of four times during 2005. The Corporate Governance and Nominating Committee is responsible for identifying director nominees, developing and reviewing our Corporate Governance Guidelines and overseeing the evaluation of the Board and management.

Executive Committee. The Executive Committee, which currently is comprised of Messrs. Williamson (chairman), Clark, Galt, Oelkers, Sheppard and Stewart and Ms. Hammick, held no meetings in 2005. The Executive Committee is comprised of the Chairman of the Board and/or Lead Director, the CEO, the Committee Chairpersons and one Class B director. This committee has the authority to review certain matters below the threshold for the full Board and is principally responsible for reviewing policies and programs designed to create a strong corporate image and for advising the Board on significant public affairs.

Risk, Environment and Operations Committee. The Risk, Environment and Operations Committee, which currently is comprised of Messrs. Stewart (chairman), Mazanec, Oelkers and Trubeck and Ms. Roberts, met a total of three times during 2005. The Risk, Environment and Operations Committee is responsible for reviewing our environmental and occupational health and safety programs and policies and our compliance with these programs and policies, reviewing our loss prevention policies and risk management programs, including our insurance coverage, and monitoring the operational performance trends of our major operating segments.

DIRECTOR COMPENSATION

The following table sets forth certain information regarding the compensation earned by or awarded to each non-employee director who served on our Board of Directors in 2005. Directors who are employees of Dynegy or Chevron are not compensated for their services.

SUMMARY COMPENSATION TABLE

<u>Name</u>	<u>Total</u>	<u>Fees Earned or Paid in Cash</u>	<u>Phantom Stock Awards</u>	<u>Option Awards(1)</u>	<u>Non-Stock Incentive</u>	
					<u>Plan Compensation(1)</u>	<u>All Other Compensation(2)</u>
Charles E. Bayless	\$ 144,825.00	\$ 66,575.00	\$ 55,000.00			\$ 23,250.00
David W. Biegler	\$ 132,543.76	\$ 41,005.63	\$ 55,000.00			\$ 36,538.13
Linda Walker Bynoe	\$ 144,956.25	\$ 89,956.25	\$ 55,000.00			
Thomas D. Clark, Jr.	\$ 138,718.75		\$ 55,000.00			\$ 83,718.75
Barry J. Galt	\$ 157,912.50	\$ 37,250.00	\$ 40,000.00			\$ 80,662.50
Patricia A. Hammick(3)	\$ 183,868.76	\$ 115,981.88	\$ 55,000.00			\$ 12,886.88
George L. Mazanec	\$ 142,000.00	\$ 87,000.00	\$ 55,000.00			
Robert C. Oelkers	\$ 173,000.00	\$ 118,000.00	\$ 55,000.00			
Joe J. Stewart	\$ 142,500.00	\$ 102,500.00	\$ 40,000.00			
William L. Trubeck	\$ 140,956.26	\$ 42,978.13	\$ 55,000.00			\$ 42,978.13

- (1) No annual stock option grants or non-stock incentive plan compensation payments were made as compensation for director services in 2005 or are contemplated under our current compensation structure.
- (2) The amounts shown as All Other Compensation for Messrs. Bayless, Biegler, Clark, Galt and Trubeck and Ms. Hammick represent cash compensation voluntarily deferred in 2005 at each director's election into Dynegy Class A common stock or various investment funds which are payable only in cash.
- (3) Lead Director.

Non-employee directors received through June 2005 annual phantom stock grants with a value of \$50,000, awarded quarterly in arrears based on the closing price of our Class A common stock on the last trading day of the quarter. Effective July 1, 2005, the aggregate annual amount of phantom stock units awarded was increased from \$50,000 to \$60,000. Upon termination of one's service as a director, the shares of phantom stock become payable, at the director's election, in a lump sum payment or in monthly, quarterly or annual installment payments following such termination. The shares of phantom stock are payable in cash or in shares of Class A common stock.

In addition to the phantom stock grants, the non-management directors receive the following compensation, which is payable in cash and may be deferred, in whole or in part, in one or more investment options, including phantom stock units, at a particular director's election:

An annual retainer of \$30,000 per year, increased to \$50,000 per year effective July 1, 2005;

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

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

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

An annual retainer of \$60,000 per year for the Lead Director, decreased to \$40,000 per year effective July 1, 2005;

Fees for each committee chairperson per year: Audit and Compliance Committee \$50,000, decreased to \$30,000 effective July 1, 2005; Compensation and Human Resources Committee \$25,000, decreased to \$15,000 effective July 1, 2005; Corporate Governance and Nominating Committee \$10,000; Risk, Environment and Operations Committee \$10,000;

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

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

On December 16, 2005, we amended the Dynegy Inc. Deferred Compensation Plan for Certain Directors to comply with certain provisions of Section 409A of the Internal Revenue Code. Under Section 409A and related rules and regulations, deferred compensation arrangements such as the Deferred Compensation Plan for Certain Directors, may be amended to allow some or all of the participants to terminate their plan participation and to receive a full distribution of their deferral account balances on or before December 31, 2005. We amended the Deferred Compensation Plan for Certain Directors to terminate the plan participation by Messrs. Galt and Stewart and to provide for each such director to receive a lump sum distribution of his account balance on or before December 31, 2005. Pursuant to this amendment, Mr. Stewart received a distribution of his total deferral account balance of \$364,668.60 in the form of 76,450 shares of Dynegy Class A common stock and \$2.10 in cash effective as of December 16, 2005. Mr. Galt received a distribution of his total deferral account balance of \$439,798.87 in the form of 35,325 shares of Dynegy Class A common stock and \$263,880.37 in cash effective as of December 22, 2005.

Daniel L. Dienstbier, our former non-executive Chairman of the Board who retired in May 2004, is being paid a fee of \$75,000 per year under a two-year consulting services agreement which expires in May 2006.

Certain Transactions and Other Matters

For a description of certain transactions with management and others, certain business relationships, indebtedness of management and compliance with Section 16(a) of the Exchange Act, see Executive Compensation Employment Agreements, Change-in-Control Agreements and Severance Agreements Certain Relationships and Related Transactions Compensation and Human Resources Committee Report on Executive Compensation 409A Transaction, and Section 16(a) Beneficial Ownership Reporting Compliance.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding beneficial ownership of our capital stock as of March 22, 2006, except as otherwise noted, by (i) each person who we know, based on filings with the SEC, to own beneficially 5% or more of our Class A common stock or Class B common stock, (ii) each director and director nominee, (iii) each executive officer named in the Summary Compensation Table set forth below and (iv) all directors and executive officers as a group. Share amounts and percentages shown for each individual or group in the table are adjusted to give effect to the exercise of all options exercisable by such individual or group within 60 days of March 22, 2006, regardless of whether such options are currently in the money.

	Number of Shares(1)		Percent of Class A Common Stock(2)
	Class A Common Stock	Class B Common Stock	
Chevron Corporation(3)		96,891,014	35.2%
Chevron U.S.A. Inc.			
6001 Bollinger Canyon Road, Bldg. A4			
San Ramon, CA 94583			
Sasco Capital, Inc.(4)	15,508,700		5.1%
10 Sasco Hill Road			
Fairfield, CT 06824			
Bruce A. Williamson(5)	1,118,141		*
Stephen A. Furbacher(6)	700,658		*
Holli C. Nichols(7)	133,931		*
Lynn Lednicky(8)	258,316		*
J. Kevin Blodgett(9)	82,996		*
Carol F. Graebner			*
Nick J. Caruso			*
Charles E. Bayless(10)	101,728		*
David W. Biegler(10)	42,723		*
Linda Walker Bynoe(10)	47,767		*
Thomas D. Clark, Jr.(10)	39,747		*
Barry J. Galt(10)	60,579		*
Victor E. Grijalva			*
Patricia A. Hammick(10)	42,723		*
George L. Mazanec(10)	36,198		*
Robert C. Oelkers(10)	48,845		*
Joe J. Stewart(10)	158,812		*
William L. Trubeck(10)	32,723		*
Howard B. Sheppard(11)			*

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

Rebecca Roberts(11)

*

Current Executive Officers and Directors as a Group (19 persons)(5)(6)(7)(8)(9)(10)(11)(12)	2,938,212	1.0%
---	-----------	------

* Less than 1%.

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

(2) Based upon 305,778,683 shares of Class A common stock and 96,891,014 shares of Class B common stock outstanding at March 22, 2006.

- (3) All outstanding shares of our Class B common stock and Series C preferred stock are held of record by CUSA. Chevron Corporation, which we refer to as Chevron, beneficially owns 100% of the capital stock of CUSA. Consequently, Chevron may be deemed to beneficially own all of the shares of Class B common stock and Series C preferred stock owned of record by CUSA. The amount shown includes the 8,000,000 shares of our Series C preferred stock held by CUSA, which are convertible at a price of \$5.78 per share, subject to specified adjustments, into 69,204,152 shares of Class B common stock, which together with the 96,891,014 shares of Class B common stock owned by CUSA, totals 166,095,166 shares of Class B common stock. For purposes of computing CUSA's beneficial ownership, the percentage of Class A common stock beneficially owned assumes conversion of all shares of Class B common stock and Series C preferred stock into Class A common stock. Excluding the shares of Class B common stock into which the Series C preferred stock is convertible, Chevron would beneficially own approximately 24.1% of our outstanding common stock.
- (4) According to a Schedule 13G filed February 2, 2006 by Sasco Capital, Inc.
- (5) Amount for Mr. Williamson includes 435,268 shares of restricted Class A common stock which vest on February 10, 2007, 196,326 shares of restricted Class A common stock which vest on January 19, 2008, 163,935 shares of restricted Class A common stock which vest on March 16, 2009 and 314,000 shares of Class A common stock acquired upon the cashless exercise of 666,667 employee stock options on March 2, 2004. Amount shown also includes approximately 8,612 shares of Class A common stock held by the Trustee of the Dynegy Inc. 401(k) Savings Plan, which we refer to as the 401(k) Plan, for the account of Mr. Williamson, based on the market value of units held by Mr. Williamson in the 401(k) Plan's Dynegy stock fund divided by the closing price of our Class A common stock as of March 16, 2006. On March 16, 2006 all of the stock options held by Mr. Williamson were cancelled as of that date. For further information regarding Mr. Williamson's stock options, see Compensation and Human Resources Committee Report on Executive Compensation 409A Transaction.
- (6) Amount shown includes 565,372 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Furbacher, 37,109 shares of restricted Class A common stock which vest on February 10, 2007, 27,267 shares of restricted Class A common stock which vest on January 19, 2008 and 40,984 shares of restricted Class A common stock which vest on March 16, 2009. Amount shown also includes 13,800 shares of Class A common stock held in an IRA for Mr. Furbacher's benefit, as well as approximately 16,126 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Mr. Furbacher, based on the market value of units held by Mr. Furbacher in the 401(k) Plan's Dynegy stock fund divided by the closing price of our Class A common stock as of March 16, 2006.
- (7) Amount shown includes 82,047 shares of Class A common stock issuable upon the exercise of employee stock options held by Ms. Nichols; 11,719 shares of restricted Class A common stock which vest on February 10, 2007, 8,180 shares of restricted Class A common stock which vest on January 19, 2008 and 20,492 shares of restricted Class A common stock which vest on March 16, 2009. Amount shown also includes approximately 11,473 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Ms. Nichols, based on the market value of units held by Ms. Nichols in the 401(k) Plan's Dynegy stock fund divided by the closing price of our Class A common stock as of March 16, 2006.
- (8) Amount shown includes 211,071 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Lednicky, 9,766 shares of restricted Class A common stock which vest on February 10, 2007, 10,362 shares of restricted Class A common stock which vest on January 19, 2008 and 20,492 shares of restricted Class A common stock which vest on March 16, 2009. Amount shown also includes approximately 4,425 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Mr. Lednicky, based on the market value of units held by Mr. Lednicky in the 401(k) Plan's Dynegy stock fund divided by the closing price of our Class A common stock as of March 16, 2006.
- (9) Amount shown includes 38,068 shares of Class A common stock issuable upon the exercise of employee stock options held by Mr. Blodgett, 7,813 shares of restricted Class A common stock which vest on February 10, 2007, 10,362 shares of restricted Class A common stock which vest on January 19, 2008 and 20,492 shares of restricted Class A common stock which vest on March 16, 2009. Amount shown also includes approximately 5,958 shares of Class A common stock held by the Trustee of the 401(k) Plan for the account of Mr. Blodgett, based on the market value of units held by Mr. Blodgett in the 401(k) Plan's Dynegy stock fund divided by the closing price of our Class A common stock as of March 16, 2006.
- (10) Amounts shown include 6,000 shares of Class A common stock issuable upon the exercise of director stock options held by Messrs. Galt and Oelkers and Ms. Bynoe and 22,000 shares of Class A common stock issuable upon the exercise of director stock options held by Messrs. Bayless and Stewart. Amounts shown also include the following number of shares of our Class A common stock payable upon termination of service as a director, at the election of the director, with respect to certain phantom stock units awarded under the Dynegy Deferred Compensation Plan for Certain Directors: 20,198 shares payable to Mr. Mazanec; 29,747 shares payable to Mr. Clark; 32,723 shares payable to Messrs. Biegler and Trubeck and Ms. Hammick; and 37,513 shares payable to Messrs. Bayless, Oelkers and Ms. Bynoe. Does not include certain stock units held by Mr. Bayless and Ms. Hammick through our Deferred Compensation Plan which are payable, upon retirement, exclusively in cash and not in shares of Class A common stock. For Mr. Mazanec, amount shown includes 3,000 shares held in two IRAs for his benefit, 1,000 shares held by the Mazanec Foundation, of which Mr. Mazanec is President and a director, and 1,000 shares held in two family trusts for the benefit of Mr. Mazanec's grandchildren. For Mr. Stewart, amount shown includes 57,185 shares held in a family limited partnership of which Mr. Stewart and his wife are the general partners and their living trusts are limited partners, together with Mr. Stewart's children, and six trusts for the benefit of Mr. Stewart's grandchildren, and 79,627 shares held in a family limited partnership of which Mr. Stewart and his wife are the general partners and the aforementioned living trusts are limited partners.
- (11) Mr. Sheppard and Ms. Roberts disclaim beneficial ownership of all shares of record held by CUSA.
- (12) Amount shown includes 32,325 shares beneficially owned by one executive officer who is not included in the Summary Compensation Table.

EXECUTIVE COMPENSATION

The following table sets forth certain information regarding the compensation earned by or awarded to each individual who served as our Chief Executive Officer during 2005 and our four other most highly compensated executive officers at the end of 2005 (the Named Executive Officers) in combined salary and bonus earned in 2005, as well as amounts earned by or awarded to such individuals, if any, during 2004 and 2003. Also included are the amounts earned by two additional individuals who would have been among the four highest paid executive officers had they been serving as such at the end of 2005.

SUMMARY COMPENSATION TABLE

Name and Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards			Total Compensation(6)
		Salary	Cash Bonus(1)	Other Annual Compensation(2)	Restricted Stock Awards(3)	Shares Underlying Stock Options(4)	All Other Compensation(5)	
Bruce A. Williamson(7) Chairman and CEO	2005	\$ 1,000,000	\$ 1,700,000		\$ 800,002	919,541	\$ 23,100	\$ 5,963,100
	2004	\$ 973,477	\$ 1,450,000		\$ 844,200	639,344	\$ 22,550	\$ 5,720,227
	2003	\$ 1,002,890	\$ 1,000,000		\$ 1,950,001	405,928	\$ 22,000	\$ 5,549,891
Stephen A. Furbacher President and COO	2005	\$ 400,769	\$ 535,000		\$ 200,001	229,886	\$ 23,100	\$ 1,758,869
	2004	\$ 339,193	\$ 502,500		\$ 117,250	88,798	\$ 22,550	\$ 1,306,493
	2003	\$ 353,477	\$ 400,000		\$ 166,248	79,575	\$ 22,000	\$ 1,250,475
Holli C. Nichols Executive Vice President and CFO	2005(8)	\$ 232,924	\$ 221,200		\$ 100,000	114,943	\$ 23,100	\$ 877,224
	2004	\$ 211,539	\$ 166,800		\$ 35,174	26,639	\$ 22,550	\$ 533,563
	2003	\$ 205,932	\$ 185,000		\$ 52,501	25,129	\$ 22,000	\$ 562,933
Lynn. A. Lednický Executive Vice President, Strategic Planning and Corporate Business Development	2005(9)	\$ 265,931	\$ 224,200		\$ 100,000	114,943	\$ 23,100	\$ 913,231
	2004	\$ 245,458	\$ 261,300		\$ 44,557	33,743	\$ 22,550	\$ 697,365
	2003	\$ 230,197	\$ 225,000		\$ 43,752	20,941	\$ 22,000	\$ 602,199
J. Kevin Blodgett General Counsel, Executive Vice President, Administration and Secretary	2005(10)	\$ 215,300	\$ 200,000		\$ 100,000	114,943	\$ 23,100	\$ 838,400
	2004	\$ 180,625	\$ 135,000		\$ 44,557	33,743	\$ 19,868	\$ 503,550
	2003	\$ 167,516	\$ 200,000		\$ 35,002	16,753	\$ 18,326	\$ 485,844
Nick J. Caruso Former Executive Vice President and CFO	2005(11)	\$ 541,348	\$ 800,000		\$		\$ 12,600	\$ 1,853,948
	2004	\$ 484,561	\$ 825,000		\$		\$ 17,508	\$ 1,327,069
	2003	\$ 504,272	\$ 800,000		\$		\$ 22,000	\$ 1,326,272
Carol Graebner Former Executive Vice President and General Counsel	2005(12)	\$ 370,192	\$ 458,400		\$		\$ 23,100	\$ 851,962
	2004	\$ 334,190	\$ 450,000		\$ 117,248	88,798	\$ 22,550	\$ 1,248,988
	2003	\$ 260,370	\$ 375,000		\$ 166,248	79,575	\$ 22,000	\$ 1,082,368

- (1) Bonus awards for 2005, 2004 and 2003, which were paid in 2006, 2005 and 2004, respectively, generally were determined under the terms of our incentive compensation plan. The bonuses shown for 2005 include the following amounts awarded under our Mid-Term Incentive Plan: Mr. Williamson \$100,000; Mr. Furbacher \$35,000; Ms. Nichols \$21,200; Mr. Lednický \$24,200; Ms. Graebner \$33,400; and Mr. Caruso \$50,000. The bonuses shown for 2004 include the following amounts awarded under our Mid-Term Incentive Plan: Mr. Williamson \$150,000; Mr. Furbacher \$52,500; Ms. Nichols \$31,800; Mr. Lednický \$36,300; Ms. Graebner \$50,100; and Mr. Caruso \$75,000. Mr. Blodgett did not participate in the Mid-Term Incentive Plan. The bonus amounts for Ms. Nichols and Mr. Blodgett for 2003 include a project completion bonus of \$75,000. The bonus amounts for Mr. Lednický for 2004 and 2003 include project

Edgar Filing: DYNEGY INC /IL/ - Form DEF 14A

completion bonuses of \$75,000 and \$100,000, respectively.

- (2) There were no perquisites or other personal benefits received with a value of greater than \$10,000.
- (3) For 2005, the following received shares of restricted Dynegy Class A common stock valued at \$4.88 per share: Mr. Williamson, 163,935 shares; Mr. Furbacher, 40,984 shares; Ms. Nichols and Messrs. Lednicky and Blodgett each received 20,492 shares. For 2004, the following received restricted shares of Dynegy Class A Common Stock valued at \$4.30 per share: Mr. Williamson, 196,326 shares; Mr. Furbacher and Ms. Graebner each received 27,267 shares; Messrs. Lednicky and Blodgett each received 10,362 shares; and Ms. Nichols received 8,180 shares. For 2003, the following received restricted shares of Dynegy Class A Common Stock valued at \$4.48 per share: Mr. Williamson, 435,268; Mr. Furbacher and Ms. Graebner each received 37,109 shares; Mr. Lednicky received 9,766 shares; Mr. Blodgett received 7,813 shares; and Ms. Nichols received 11,719 shares. These restricted shares vest three years from the date of grant. During such period, any dividends paid on our Class A common stock will also be paid with respect to these restricted shares.

- (4) Represents options to purchase shares of our Class A common stock at a price equal to the fair market value of our Class A common stock on the date of grant. Amounts for 2003, 2004 and 2005 generally reflect options granted in 2004, 2005 and 2006, respectively, for performance in the preceding year.
- (5) The amounts shown as All Other Compensation for 2005 include a matching contribution under the 401(k) Plan (\$10,500) and a defined contribution under our portable retirement plan (\$12,600) for each of the Named Executive Officers, except Mr. Caruso, whose 2005 amount includes a defined contribution under our portable retirement plan (\$12,600).
- (6) The Total Compensation column was calculated using values for annual option grants arrived at by multiplying the number of shares underlying such options by an amount per underlying share calculated using the Black-Scholes option pricing model. For 2005, the following individuals received options with an aggregate value as follows, based upon a calculated value per underlying share of \$2.61: Mr. Williamson, \$2,400,000 in aggregate value; Mr. Furbacher, \$600,000 in aggregate value; Ms. Nichols and each of Messrs. Lednicky and Blodgett, \$300,000 in aggregate value. For 2004, the following individuals received options with an aggregate value as follows, based upon a calculated value per underlying share of \$3.66: Mr. Williamson, \$2,340,000 in aggregate value; Mr. Furbacher, \$325,000 in aggregate value; Ms. Nichols, \$97,500 in aggregate value; each of Messrs. Lednicky and Blodgett, \$123,500 in aggregate value; and Ms. Graebner, \$325,000 in aggregate value. For 2003, the following individuals received options with an aggregate value as follows, based upon a calculated value per underlying share of \$3.88: Mr. Williamson, \$1,575,000 in aggregate value; Mr. Furbacher, \$308,750 in aggregate value; Ms. Nichols, \$97,500 in aggregate value; Mr. Lednicky, \$81,250 in aggregate value; Mr. Blodgett, \$65,000 in aggregate value; and Ms. Graebner, \$308,750 in aggregate value. The Total Compensation column does not include amounts for performance units related to 2005 performance.
- (7) For further information regarding Mr. Williamson's compensation, see Compensation and Human Resources Committee Report on Executive Compensation 409A Transaction.
- (8) Ms. Nichols became an executive officer of Dynegy in November 2005.