A. Introduction

Under the "best interests" of creditors test set forth in section 1129(a)(7) of the Bankruptcy Code, the Bankruptcy Court may not confirm a plan of reorganization unless the plan provides each holder of a claim or interest who does not otherwise vote in favor of the Plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code. To demonstrate that the Plan satisfies the "best interests" of creditors test, the Debtors have prepared the following hypothetical Liquidation Analysis for Dynegy Holdings, LLC ("DH"), which is based upon certain assumptions discussed in the Disclosure Statement and in the notes accompanying this Liquidation Analysis (the "Notes"). Capitalized terms not defined in the Notes shall have the meanings ascribed to them in the Plan or the Disclosure Statement, as applicable.

The Liquidation Analysis estimates potential cash distributions to Holders of Allowed Claims and Interests in a hypothetical chapter 7 liquidation of DH's Assets. Asset values discussed in the Liquidation Analysis may differ materially from values referred to in the Plan and Disclosure Statement. The Debtors prepared the Liquidation Analysis with the assistance of their advisors.

B. Scope, Intent, and Purpose of the Liquidation Analysis

The determination of the costs of, and hypothetical proceeds from, the liquidation of DH's Assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual chapter 7 liquidation. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable good-faith estimate of the proceeds that would be generated if DH were liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended and should not be used for any other purpose. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. No independent appraisals were conducted in preparing the Liquidation Analysis. NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

In preparing the Liquidation Analysis, DH estimated known Allowed Claims based upon a review of Claims listed in its Schedules. In addition, the Liquidation Analysis includes estimates for Claims not currently asserted, but which could be asserted and allowed in a chapter 7 liquidation, including certain administrative claims, wind down costs, trustee fees, and professional fees. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing this Liquidation Analysis. For purposes of the Liquidation Analysis, the Debtors' estimates include specific Claims estimates and a midpoint estimate for certain Claims that are estimated as a range in the Disclosure Statement. Therefore, the estimate of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims under the Plan. NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTORS FOR LITIGATION OR ANY OTHER PURPOSE AND NOTHING HEREIN SHALL BE SO DEEMED OR SHALL BE SO USED. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

The Liquidation Analysis assumes that there are no recoveries from the pursuit of any potential preferences, fraudulent conveyances, or other causes of action and does not include the estimated costs of pursuing those actions.

Global Notes to the Liquidation Analysis

1. Conversion Date and Appointment of a Chapter 7 Trustee

The Liquidation Analysis assumes conversion of the DH's Chapter 11 Case to chapter 7 liquidation on June 30, 2012 (the "Conversion Date"), and assumes that such liquidation will be conducted over a six to nine month period. On the Conversion Date, it is assumed that the Bankruptcy Court would appoint one chapter 7 trustee (the "Trustee") to oversee the liquidation of DH's Estate. Should multiple Trustees be appointed to administer the DH Estate, higher administrative costs could result and distributions to holders of Claims and Equity Interests as provided in the Liquidation Analysis, if any, could be lower and/or delayed.

2. Assets of DH

The Liquidation Analysis assumes a liquidation of all of DH's Assets, including its interests in its non-Debtor and Debtor subsidiaries after third-party claims against such subsidiaries are satisfied. DH has three primary classes of assets. The first class is equity interests in its non-Debtor subsidiaries, including Dynegy Gas Investments, LLC ("DGIN"). The second class is an undertaking from Dynegy Inc. ("Dynegy") to DH obligating Dynegy to make certain specified payments to DH over time, (the "Undertaking Agreement" or "Undertaking"). The third class is the equity interest held by DH in Debtor DNE, which in turn holds the equity interests in Dynegy Roseton and Dynegy Danskammer through its ownership of Hudson Power. Dynegy Roseton and Dynegy Danskammer collectively own four power generating facilities (the "Power Assets"). The Dynegy Roseton facility consists of two generation units, Roseton Units 1 and 2. Roseton Units 1 and 2 were leased by Dynegy Roseton pursuant to a facility lease which has been rejected pursuant to an order of the Bankruptcy Court. Dynegy Roseton owns the land on which the Roseton units are located. The Dynegy Danskammer facility consists of six generation units, Danskammer Units 1, 2, 3, 4, 5 and 6. Danskammer Units 3 and 4 were leased by Dynegy Danskammer pursuant to a facility lease which has been rejected pursuant to an order of the Bankruptcy Court. The remaining units, as well as the land upon which all of the units are located, are owned by Dynegy Danskammer.

In addition, the liquidation analysis accounts for certain tax receivables of DH, which have been discounted to reflect the potential discount in a liquidation sale, DH's projected cash on hand as of the Conversion Date (including certain cash collateral securing the letter of credit facility described below and net of estimated professional fees incurred up to the Conversion Date) and a range of recoveries related to the repayment of borrowings under the Intercompany Credit Facility from the Borrower Debtors.

3. No Consolidation of the Estates

The Plan contemplates a reorganization of Debtor DH only and a transfer of the equity of DNE to the Plan Trust to be administered by the Plan Trust Administrator. Consistent with the structure of the Plan, the Liquidation Analysis assumes that DH's Estate will be liquidated individually and thus there will be no substantive consolidation of DH and its Debtor subsidiaries into a single Estate from which distributions to all holders of claims and equity interests against all of the Debtors would be made.

4. Funding of the Chapter 7 Process

While estimates have been provided as to the costs to facilitate the wind down of the estate, this Liquidation Analysis does not assume that a source of funding for such a wind down will be available to the Trustee other than DH's existing cash as of the Conversion Date and/or proceeds from the sale of DH's Assets.

5. Going-Concern Liquidation of Equity Interests in Non-Debtor Subsidiaries

The Liquidation Analysis assumes that the Trustee will attempt to maximize recoveries for holders of Claims against DH by seeking a buyer for DH's equity interests in its non-Debtor subsidiaries, including DGIN.

6. Sale of the Undertaking Agreement

The Liquidation Analysis assumes that the Trustee will attempt to maximize recoveries for holders of Claims against DH by seeking a buyer for the Undertaking Agreement.

7. Going-Concern Liquidation of the Power Assets

The Liquidation Analysis assumes that the Trustee will attempt to maximize recoveries for holders of Claims against DH by continuing to operate the Power Assets during the chapter 7 liquidation while a buyer of the Power Assets is sought. The amount of Cash available to maintain operations of the Power Assets may be limited.

There is a risk that the Trustee would be unable to liquidate all of the Power Assets as going-concerns because the Bankruptcy Court may only allow the Trustee to operate the Debtors' business for a "limited period" under section 721 of the Bankruptcy Code. While the Bankruptcy Code does not set forth a specific time period under which a chapter 7 trustee is allowed to operate a debtor's business, the Bankruptcy Court may conclude that the six to nine month period assumed in the Liquidation Analysis exceeds the time contemplated by the Bankruptcy Code. In addition, the Trustee may not be able to obtain the regulatory approval necessary in order to operate the Power Assets or the funds necessary to operate the Power Assets for such period of time. Should the Trustee's operation of the Power Assets be limited by the Bankruptcy Court (or because of any other impediment, including, but not limited to, lack of regulatory approval or availability of funds), any potential proceeds from the sale of such assets likely would decrease.

It should be noted that all but one of the employees of the Dynegy Danskammer site as well as Dynegy Roseton are employees of DNE. In addition, while it may be the case that the Trustee will also need to operate the Leased Facilities while facilitating a sale process, no representation is made in this analysis as to the disposition of these non-Debtor owned generation units.

Also of note, as described in the Disclosure Statement, the Debtors rejected the lease(s) related to the Leased Facilities at Dynegy Roseton and Dynegy Danskammer, resulting in potentially significant rejection damages and other Claims against Dynegy Danskammer and Dynegy Roseton. In addition, DH has guaranteed certain obligations of Dynegy Danskammer and Dynegy Roseton under the Danskammer Lease Documents and the Roseton Lease Documents. For purposes of the Liquidation Analysis, as described below, the Debtors estimate the range of the Allowed amount of the Lease Guaranty Claims against DH (inclusive of the TIA Claim that was Allowed for $110 million) stemming from the rejection of the Facility Leases to be between $110 and $300 million.

8. Liquidation Analysis Waterfall and Recovery Ranges

The Trustee would use the proceeds of the liquidation (the "Liquidation Proceeds") of DH's Assets to satisfy DH's liabilities (as described in further detail below), including certain wind-down costs, Trustee fees and professional fees of the liquidation (the "Liquidation Costs"). Remaining net-Liquidation Proceeds would then be allocated to DH's creditors in accordance with the priorities set forth in section 726 of the Bankruptcy Code, subject to certain applicable subordination provisions. The Liquidation Analysis provides a high and low estimate of Liquidation Proceeds, and resulting high and low recovery percentages for holders of Claims and Interests based upon the Trustee's application of the Liquidation Proceeds.

9. Factors Considered in Valuing Hypothetical Liquidation Proceeds

Certain factors may limit the amount of the Liquidation Proceeds available to the Trustee. Certain of these factors that relate specifically to the liquidation of the Power Assets and land owned by Dynegy Danskammer and Dynegy Roseton, the equity interests that DH has in its non-Debtor subsidiaries, including DGIN, and disposition of the Undertaking Agreement. In addition, it is possible that distribution of the Liquidation Proceeds would be delayed while the Trustee and his or her professionals become knowledgeable about the Chapter 11 Cases and the Debtors' business and operations. This delay could materially reduce the value, on a "present value" basis, of the Liquidation Proceeds.

Dynegy Holdings, LLC Liquidation Analysis

DH (Debtor) ($ Millions)	Claims	High	Low	Notes
Primary Assets				
Value Range		High	Low	
Sale of Undertaking Agreement		$ 625.0	$ 312.5	[C1]
Equity Interest in Non-Debtor Subsidiaries		1,681.0	1,402.0	[C2]
Proceeds from Dynegy Northeast Generation, Inc. Liquidation		-	-	[C3]
Intercompany Loan Facility Repayment		15.0	-	[B2]
Tax Receivables		7.1	5.3	[B2]
Cash		44.3	44.3	[B2]
Sources of Recovery Funds (Liquidation Proceeds)		**2,372.4**	**1,764.1**	
Uses of Recovery Funds / Waterfall				
Costs of Liquidation	Claims	Recovery		
Wind down costs	7.5 - 5.0	7.5	5.0	[D]
Trustee fees	23.7 - 17.6	23.7	17.6	[E]
Professional fees	23.7 - 17.6	23.7	17.6	[F]
Sub Total	**54.9 - 40.3**	**54.9**	**40.3**	
Recovery %		*100%*	*100%*	
Remaining Value		**2,317.5**	**1,723.8**	
Priority Claims	Claims	Recovery		
Priority Claims	-	-	-	[G]
Sub Total	-	-	-	
Recovery %		*100%*	*100%*	
Remaining Value		**2,317.5**	**1,723.8**	
Priority Tax Claims	Claims	Recovery		
Priority Tax Claims	-	-	-	[H]
Sub Total	-	-	-	
Recovery %		*100%*	*100%*	
Remaining Value		**2,317.5**	**1,723.8**	
Secured Claims	Claims	Recovery		
Secured Letter of Credit Facility Claims	27.0	27.0	27.0	[I]
Sub Total	**27.0**	**27.0**	**27.0**	
Recovery %		*100%*	*100%*	
Remaining Value		**2,290.5**	**1,696.8**	
General Unsecured Claims	Claims	Recovery		
Senior Notes Claims	3,487.0	2,031.8	1,505.2	[J]
Other General Unsecured Claims	228.0	132.9	98.4	[K]
Series B Sub. Notes Claims	215.9	125.8	93.2	[L]
Sub Total	**3,930.9**	**2,290.5**	**1,696.8**	
Recovery %		*58%*	*43%*	
Remaining Value		-	-	
Series B Sub. Notes Claims Subordination / Senior Notes Claims additional Recovery		Recovery		[L]
Senior Notes Claims before add back		2,031.8	1,505.2	
Add: Series B Sub. Notes Claims Allocated Recovery		125.8	93.2	
Total Senior Notes Claims Recovery		**2,157.6**	**1,598.4**	
Recovery %		*62%*	*46%*	
Total Series B Sub. Notes Claims Recovery after Subordination		-	-	
Recovery %		0%	0%	
Equity Interests	Claims	Recovery		[M]
Equity Interests	-	-	-	
Sub Total	-	-	-	
Recovery %		0%	0%	
Remaining Value		-	-	

C. Specific Notes to the Asset and Liability Assumptions Contained in the Liquidation Analysis

The Liquidation Analysis refers to certain categories of DH's Assets and liabilities. The numerical designation below corresponds to each line item with a specific note.

1. Sale of the Undertaking Agreement

Upon its execution, the Undertaking Agreement reflected the terms on which Dynegy agreed to make defined future cash payments to Dynegy Gas Investments, LLC ("DGIN") through the year 2026 as consideration for the transfer by DGIN of the ownership interests in Dynegy Coal Holdco, LLC, the indirect parent of "CoalCo". The Undertaking Agreement was subsequently amended and restated in connection with its assignment up to DH. As of the date of the Undertaking Agreement (and upon its amendment and restatement), the parties thereto believed that it represented fair value for the transfer of the equity interests in CoalCo, which the parties believed had an approximate value of $1.25 billion. Consistent with their books and records, the Undertaking was scheduled as a $1.25 billion asset on DH's Schedules filed on December 22, 2011 [Docket No. 245]. For purposes of this Liquidation Analysis, it has been assumed that the hypothetical disposition of the Undertaking Agreement on a distressed basis by the Trustee will yield a discount of between 50 and 75% to its fair value. However, the Trustee might not be able to obtain such value from a sale or other disposition of the Undertaking as a result of certain events and factors not contemplated under this Liquidation Analysis, including but not limited to, the performance of the "CoalCo" assets owned by Dynegy, as well as the unique nature and terms of the Undertaking relating to the ability to assign or sell the Undertaking to a third-party. The application of the forgoing discount is not intended to have, and should not be construed as having, any bearing on the fair value of the Undertaking Agreement, which the parties continue to believe was worth about $1.25 billion fairly valued at the time it was entered into.

2. Equity in Non-Debtor Subsidiaries Liquidation Value

DH currently directly owns all of the equity in, among other non-Debtor subsidiaries, DGIN. As mentioned above, it is assumed that the Trustee will attempt to sell this equity within a six to nine month period of time. DGIN derives all of its value from its equity interests in what have been referred to as the "GasCo" assets. It should be noted that certain subsidiaries of DGIN have significant liabilities including, among other things, approximately $1.1 billion of outstanding senior debt. It should also be noted that the actual results may differ greatly depending on a potential buyer's assessment of value of DGIN and other macroeconomic factors that would be beyond the control of the Debtors.

3. Liquidation Value of the Power Assets

The Liquidation Analysis assumes that the Trustee sells the Power Assets as going-concerns over a six to nine month period. As previously mentioned, the land owned by Dynegy Danskammer and Dynegy Roseton will be sold by the Trustee. Additionally, the Trustee will sell Units 1, 2, 5 and 6 at Dynegy Danskammer. Dynegy Danskammer Units 1 and 2 share a common control room, operating systems, and staff with Dynegy Danskammer 3 and 4, which are owned by third party lessors who are parties-in-interest of these estates, which could potentially complicate the liquidation sale of the Dynegy Danskammer assets. In addition, Units 5 and 6 are currently not in operation and are not connected to the power grid. Units 1 and 2 at Dynegy Roseton are also owned by a third party lessor who is a party-in-interest of these estates.

While the Debtors have rejected the Facility Leases related to Leased Facilities as part of these proceedings and would like to transition the plants to the PSEG Entities or the Pass-Through Certificate Holders (or their designee), the Debtors still occupy and maintain the Leased Facilities for the benefit of the PSEG Entities and the Pass-Through Certificate Holders and will continue to do so until they are able to transition the Leased Facilities. It is also possible that the Trustee would have to continue to operate the Leased Facilities until such transition – unless such transition would have already occurred during the Debtors' Chapter 11 Cases – which could further increase the wind down costs. In addition, both the Dynegy Danskammer and Dynegy Roseton properties are known to have environmental issues that will need to be addressed upon plant decommissioning.

The Power Assets are projected to generate negative cash. Also, given the fact that that there are likely to be substantial Claims stemming from the rejection of the Leased Facilities and environmental concerns, any proceeds that will be realized through the Trustee's liquidation sale of the assets will likely not exceed the Claims against DH's Debtor subsidiaries. Therefore the Liquidation Analysis ascribes zero value to the Liquidation Proceeds on account of DH's equity interest in DNE, as the Liquidation Proceeds from the sale of the Power Assets will be insufficient to satisfy the Claims asserted against the entities that own such assets.

Liquidation Costs

D. Wind-Down Costs

This cost estimate in the Liquidation Analysis relates to certain operating expenses that the Trustee would expend during DH's six to nine month liquidation process.

E. Trustee Fees

Although section 326 of the Bankruptcy Code provides for statutory chapter 7 trustee fees not to exceed 3.0% for liquidation proceeds in excess of $1,000,000, the Liquidation Analysis conservatively assumes that the Bankruptcy Court will only authorize Trustee fees of 1.0% of Liquidation Proceeds excluding Cash. Should the Bankruptcy Court authorize Trustee fees in excess of 1.0%, the Liquidation Proceeds available for distribution to holders of Claims may be materially reduced.

F. Professional Fees

It is assumed that the Trustee will need to retain certain professionals to assist him or her in facilitating the wind down of DH's Estate. Such professionals will potentially include, but are not limited to, accountants, lawyers, financial advisors, real estate brokers, and investment bankers. The estimated professional fees shown are for projected fees during the six to nine month period, and assume that such costs would be approximately 1% of the total Liquidation Proceeds. No representations are being made in this analysis as to how the Trustee will administer the wind down. Based on this, the cost estimates may be significantly different in a true chapter 7 liquidation scenario.

Claims

G. Priority Claims

At the time this analysis was performed, the Debtors estimate that the amount of such Claims is *de minimus*. Should such Claims exist upon distribution of the Liquidation Proceeds by the Trustee, such Claims would be paid in full prior to any payments being made to the General Unsecured Claims.

H. Priority Tax Claims

At the time this analysis was performed, the Debtors estimate that the amount of such Claims is zero or *de minimus*. Should such Claims exist upon distribution of the Liquidation Proceeds by the Trustee, such Claims would be paid in full prior to any payments being made to the General Unsecured Claims.

I. Secured Claims

Secured Claims against DH consist of a letter of credit facility in the amount of approximately $27.0 million that is fully cash collateralized. Approximately 50% of the total balance is collateral for a letter of credit issued to various New York state regulatory agencies for certain environmental liabilities related to Dynegy Danskammer. The Liquidation Analysis assumes that the letters of credit will be fully drawn and thus will decrease the amount of cash held at DH.

J. Senior Notes Claims

These Claims represent the total outstanding bond debt at DH. As of the Petition Date, as set forth in Exhibit "B" of the Plan, such Claims totaled approximately $3.487 billion.

K. Other General Unsecured Claims

I) At the time the Liquidation Analysis was performed, solely for purposes of estimating recoveries in the Disclosure Statement, the Debtors estimated a range of $0 to $26 million for certain tax and other General Unsecured Claims, the midpoint of which ($13 million) is reflected in the Other General Unsecured Claims in the Liquidation Analysis.

II) At the time the Liquidation Analysis was performed, solely for purposes of estimating recoveries in the Disclosure Statement, the Debtors estimated a range of $110 to $300 million for the Lease Guaranty Claims. This range includes the Allowed TIA Claim of $110 million based on the PSEG Settlement and the Stipulated Rejection Order entered during the Chapter 11 Cases on December 20, 2011, as amended. The Liquidation Analysis reflects the midpoint of this range ($205 million) in the Other General Unsecured Claims total.

III) At the time the Liquidation Analysis was performed, DH's Schedules reflected a $10 million obligation owing from DH to Dynegy Coal Holdco, LLC. This unsecured obligation would be treated as an unsecured claim for purposes of distribution of the Liquidation Proceeds, and is reflected in the Other General Unsecured Claims. Certain other intercompany receivables and payables are set-off against each other to arrive at a net account balance which has been factored into the liquidation value.

L. Subordinated Notes Claims

These Claims represent the total outstanding subordinated bond debt at DH. As of the Petition Date, as set forth in Schedules, such Claims totaled approximately $216 million. Because such Claims are subordinate to the Senior Notes, they would not be entitled to any payment until after satisfaction in full of the Senior Notes, and any distribution of Liquidation Proceeds allocated to the holders of Subordinated Notes Claims by the Trustee would be turned over to the holders of Senior Notes Claims to the extent that the Senior Notes are not paid in full. As reflected in the Liquidation Analysis, because the Senior Notes are not paid in full from the Liquidation Proceeds, any potential distribution to the holders of Subordinated Notes Claims would instead be allocated to the holders of Senior Notes Claims, and there would be no recovery to the holders of Subordinated Notes Claims under the Liquidation Analysis.

M. Equity Interests

As reflected in the Liquidation Analysis, because General Unsecured Claims will not be paid in full, there will be no recovery to holders of Interests in DH.