OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

$425,000,000

DP&L®

The Dayton Power and Light Company

First Mortgage Bonds, 3.950% Series due 2049

We are offering $425,000,000 of our First Mortgage Bonds, 3.950% Series due 2049 (the "new bonds"). The new bonds will mature on June 15, 2049, unless redeemed prior to that date. The first interest payment on the new bonds will be made on December 15, 2019. The new bonds will be issued only in minimum denominations of $2,000 and integral multiples of $1,000. We may redeem the new bonds prior to maturity, in whole or in part, at our option at any time or from time to time, at the make-whole redemption price described in this offering memorandum. See "Description of the New Bonds—Optional Redemption."

The new bonds will be our senior secured obligations that will be secured by and under our existing First and Refunding Mortgage, dated as of October 1, 1935, between us and The Bank of New York Mellon, as trustee, as amended (the "Mortgage"). See "Description of the New Bonds—Priority and Security." The new bonds will rank equally in right of payment with our other existing or future First Mortgage Bonds issued under the Mortgage. As of March 31, 2019, we had approximately $575.0 million aggregate principal amount of First Mortgage Bonds outstanding.

We will agree pursuant to a registration rights agreement to file an exchange offer registration statement or, under certain circumstances, a shelf registration statement with respect to the new bonds. See "Exchange Offer; Registration Rights."

Investing in the new bonds involves risks. See "Risk Factors" beginning on page 6 of this offering memorandum.

Offering Price: 99.355% plus accrued interest, if any, from June 6, 2019.

The new bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the new bonds may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, we are offering the new bonds only to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "Notice to Investors."

The initial purchasers expect to deliver the new bonds in book-entry form on or about June 6, 2019.

Joint Book-Running Managers

BofA Merrill Lynch **J.P. Morgan**

PNC Capital Markets LLC **SunTrust Robinson Humphrey** **US Bancorp**

Co-Managers

BMO Capital Markets **Fifth Third Securities** **Huntington Capital Markets**

Offering Memorandum dated June 3, 2019.

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In this offering memorandum, unless otherwise noted, "DP&L," the "Company," "we," "us" and "our" refer to The Dayton Power and Light Company. It is important for you to read and consider all information contained or incorporated by reference in this offering memorandum.

We and the initial purchasers have not authorized anyone to provide any information other than that contained in this offering memorandum or to which we have referred you. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the initial purchasers are not, making an offer to sell these securities in any jurisdiction where their offer or sale is not permitted. The information in this offering memorandum may only be accurate on the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the new bonds, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Notice to Investors" in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum confidentially to a limited number of qualified institutional buyers and non-U.S. investors so that they can consider a purchase of the new bonds. We have not authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided by the Company or the initial purchasers. By accepting delivery of this offering memorandum, you agree to these restrictions. See "Notice to Investors."

The information in this offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that this information is accurate or complete. The initial purchasers are not making any representation or warranty that this information is accurate or complete and are not responsible for this information. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering and the new bonds, including the merits and risks involved.

Neither we nor the initial purchasers are making any representation to any purchaser of the new bonds regarding the legality of an investment in the new bonds by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the new bonds. You should contact the initial purchasers with any questions about this offering or for additional information to verify the information contained in this offering memorandum.

We reserve the right to withdraw this offering of the new bonds at any time. We and the initial purchasers also reserve the right to reject any offer to purchase the new bonds in whole or in part for any reason and to allot to any prospective investor less than the full amount of new bonds sought by it.

Laws in certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the new bonds. Persons into whose possession this offering memorandum or any of the new bonds are delivered must inform themselves about, and observe, those restrictions. Each prospective purchaser of the new bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the new bonds or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it purchases, offers or sells the new bonds, and neither we nor the initial purchasers shall have any responsibility therefor.

The new bonds described in this offering memorandum have not been registered with, recommended by, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any other domestic or foreign regulatory securities commission or authority. In addition, neither the SEC nor any other regulatory commission or authority has passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

WHERE YOU CAN FIND MORE INFORMATION

We file annual and quarterly reports and other information with the SEC. Our filings are available to the public on the internet on the SEC's website located at http://www.sec.gov.

We maintain an internet site located at http://www.dpandl.com, which contains information pertaining to us. The website (including the information contained in the website or connected to the website) is not and shall not be deemed to be incorporated into or a part of this offering memorandum.

You may also obtain copies of the documents described in this offering memorandum by writing to or telephoning us at the following address: The Dayton Power and Light Company, 1065 Woodman Drive, Dayton, Ohio 45432, Attention: Treasurer.

INCORPORATION BY REFERENCE

We are "incorporating by reference" certain information DP&L files with the SEC into this offering memorandum, which means that we are disclosing important information to you by referring you to those documents without restating it in this offering memorandum. Information that is incorporated by reference is an important part of this offering memorandum. This offering memorandum incorporates by reference the documents listed below and any future filings made by DP&L with the SEC under Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subsequent to the date of this offering memorandum and prior to completion of this offering, and such documents form an integral part of this offering memorandum:

- DP&L's Current Reports on Form 8-K, filed with the SEC on February 20, 2019 and May 16, 2019;
- DP&L's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 27, 2019 (other than the financial statements of DPL Inc. ("DPL") included therein) (our "Form 10-K"); and
- DP&L's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2019, filed with the SEC on May 7, 2019 (other than the financial statements of DPL included therein) (our "Form 10-Q").

We and our parent company, DPL, separately filed the combined Annual Report on Form 10-K, the Quarterly Report on Form 10-Q and the Current Reports on Form 8-K listed above. However, the information contained in those combined reports relating solely to our parent and its subsidiaries (other than DP&L) was separately filed by DPL on its behalf, and the information contained in those combined reports relating solely to DP&L was separately filed by us. We do not intend to incorporate by reference into this offering memorandum the information relating to DPL and its subsidiaries (other than DP&L's information or information provided separately by DP&L), and we make no representations as to the information relating to DPL and its subsidiaries (other than DP&L's information) contained in such combined reports. The only information you should rely upon in determining whether to invest in the new bonds is the information of DP&L contained in this offering memorandum and the information separately provided by DP&L in the documents incorporated by reference herein. Unless specifically stated to the contrary, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K or that we have furnished or may from time to time furnish to the SEC or any other document or information deemed to have been furnished and not filed with the SEC will be incorporated by reference into, or otherwise included in, this offering memorandum.

Any statement contained in this offering memorandum or in a document (or part thereof) incorporated or considered to be incorporated by reference in this offering memorandum shall be considered to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained in this offering memorandum or in any other subsequently filed document (or part thereof) that is or is considered to be incorporated by reference in this offering memorandum modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be considered, except as so modified or superseded, to constitute any part of this offering memorandum.

EXTENDED SETTLEMENT

It is expected that delivery of the new bonds will be made against payment therefor on or about the date specified on the cover of this offering memorandum, which is the third business day following the date of pricing of the new bonds (such settlement cycle being referred to as "T+3"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the new bonds on the date of pricing will be required, by virtue of the fact that the new bonds will settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the new bonds who wish to trade the new bonds on the date of pricing should consult their own advisors. You should note that trading of the new bonds prior to the delivery may be affected by the T+3 settlement. See "Plan of Distribution."

FORWARD-LOOKING STATEMENTS

This offering memorandum includes certain "forward-looking statements" that involve many risks and uncertainties. Forward-looking statements express an expectation or belief and contain a projection, plan or assumption with regard to, among other things, our future revenues, income, expenses or capital structure. Such statements of future events or performance are not guarantees of future performance and involve estimates, assumptions and uncertainties. The words "could," "may," "predict," "anticipate," "would," "believe," "estimate," "expect," "forecast," "project," "objective," "intend," "continue," "should," "plan" and similar expressions, or the negatives thereof, are intended to identify forward-looking statements unless the context requires otherwise. These forward-looking statements are based on management's present expectations and beliefs about future events. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. We are under no obligation to, and expressly disclaim any obligation to, update or alter the forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise, except as required by applicable law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Some important factors that could cause actual results or outcomes to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our (including our affiliates) outlook include, but are not limited to:

- growth in our service territory and changes in demand and demographic patterns;
- weather-related damage to our electrical system;
- performance of our suppliers;
- transmission and distribution system reliability and capacity;
- regulatory actions and outcomes, including, but not limited to, the review and approval of our rates and charges by the Public Utilities Commission of Ohio ("PUCO");
- federal and state legislation and regulations;
- changes in our credit ratings or the credit ratings of DPL or The AES Corporation, a global power company, the ultimate parent company of DP&L ("AES");
- fluctuations in the value of pension plan assets, fluctuations in pension plan expenses and our ability to fund defined benefit pension plans;
- changes in financial or regulatory accounting policies;
- environmental matters, including costs of compliance with, and liabilities related to, current and future environmental laws and requirements;
- interest rates and the use of interest rate hedges, inflation rates and other costs of capital;
- the availability of capital;
- level of creditworthiness of counterparties to contracts and transactions;
- labor strikes or other workforce factors, including the ability to attract and retain key personnel;
- facility or equipment maintenance, repairs and capital expenditures;
- significant delays or unanticipated cost increases associated with construction projects;
- the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material;
- local economic conditions;

- costs and effects of legal and administrative proceedings, audits, settlements, investigations and claims and the ultimate disposition of litigation;
- industry restructuring, deregulation and competition;
- issues related to our participation in PJM Interconnection, LLC (“PJM”), a regional transmission organization (“RTO”), including the cost associated with membership, allocation of costs, costs associated with transmission expansion, the recovery of costs incurred, and the risk of default of other PJM participants;
- changes in tax laws and the effects of our strategies to reduce tax payments;
- product development, technology changes, and changes in prices of products and technologies;
- cyberattacks and information security breaches;
- the use of derivative contracts;
- catastrophic events such as fires, explosions, terrorist acts, acts of war, pandemic events, or natural disasters such as floods, earthquakes, tornadoes, severe winds, ice or snow storms, droughts, or other similar occurrences; and
- the risks and other factors discussed in this report and other DP&L filings with the SEC.

All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and many are beyond our control. See “Risk Factors” and/or “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this offering memorandum and any document incorporated by reference herein for a more detailed discussion of the foregoing and certain other factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook. Any forward-looking statement made by us in this offering memorandum and in any document incorporated by reference herein or therein speaks only of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law.

REGISTRATION RIGHTS; SEC REVIEW

We have agreed to file a registration statement with the SEC with respect to an exchange offer to register exchange bonds that have substantially identical terms as the new bonds. See “Exchange Offer; Registration Rights.” In the course of the review by the SEC of the registration statement, we may be required or we may elect to make changes to the information contained in this offering memorandum, including the description of our business, financial statements and other financial or other information. We believe that the information included in this offering memorandum has been prepared in a manner that complies, in all material respects, with all requirements of law and practice. However, comments by the SEC on the registration statement may require modification, deletion or reformulation of the information presented in this offering memorandum. Any such modification or reformulation may be significant.

SUMMARY

The following summary is qualified in its entirety by the more detailed information included elsewhere in or incorporated by reference into this offering memorandum. The information with respect to us contained in this offering memorandum is only a summary and is not complete. Because this is a summary, it may not contain all of the information that is important to you. Before making an investment decision, you should read this entire offering memorandum and the documents incorporated by reference herein in their entirety, including the section entitled "Risk Factors" herein and in Part I, Item 1A of our Form 10-K.

The Dayton Power and Light Company

The Dayton Power and Light Company ("DP&L") is a public utility incorporated in 1911 under the laws of Ohio. We offer retail standard service offer ("SSO") electric service to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio and have the exclusive right to provide distribution and transmission services to more than 526,000 customers in that service area. In addition to our electric transmission and distribution businesses, we have a 4.9% interest in OVEC, an electric generating company. OVEC has two electric generating stations located in Cheshire, Ohio and Madison, Indiana with a combined generation capacity of 2,109 megawatts ("MW"). Our share of this generation capacity is 103 MW.

The principal industries located in our service territory include automotive, food processing, paper, plastic, manufacturing and defense. Our sales reflect general economic and competitive conditions, seasonal weather patterns of the area and the growth of energy efficiency initiatives, however, our distribution revenues have been decoupled from weather and energy efficiency variations beginning January 1, 2019 as a result of the decoupling rider the Public Utilities Commission of Ohio ("PUCO") approved in the distribution rate order establishing new base distribution rates which became effective October 1, 2018 (the "DRO").

We strive to achieve stable, long-term growth through efficient operations and strong customer and regulatory relations. More specifically, our strategy is to utilize the transmission and distribution assets that transfer electricity at the most efficient cost, and to maintain the highest level of customer service and reliability. Our total revenue and net income for the quarter ended March 31, 2019 were $201.4 million and $29.0 million, respectively. In addition, as of March 31, 2019, we had total assets of approximately $1.8 billion. Our business is not dependent on any single customer or group of customers.

Our electric transmission and distribution businesses are subject to rate regulation by federal and state regulators. Accordingly, we apply the accounting standards for regulated operations to our electric transmission and distribution businesses and record regulatory assets when incurred costs are expected to be recovered in future customer rates, and regulatory liabilities when current cost recoveries in customer rates relate to expected future costs or overcollections of riders.

Company Information

As of March 31, 2019, we employed 617 people. All of our outstanding common stock is owned by DPL. DPL is indirectly owned by AES, which is a global power company with operations in 15 countries. Our principal executive office is located at 1065 Woodman Drive, Dayton, Ohio, 45432, and our telephone number is (937) 259-7215. Our website address is *http://www.dpandl.com.* Material contained on our website is not part of and is not incorporated by reference in this offering memorandum.

The names "DP&L," "DPL," "The Dayton Power and Light Company" and various other names contained herein are DPL owned trademarks, service marks or trade names. The name "AES" is an AES-owned trademark, service mark or trade name. All other trademarks, trade names or service marks appearing or incorporated by reference in this offering memorandum are owned by their respective holders.

THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the new bonds, see "Description of the New Bonds" in this offering memorandum.

Issuer	The Dayton Power and Light Company.
Bonds offered	$425,000,000 aggregate principal amount of First Mortgage Bonds, 3.950% Series due 2049.
Maturity	June 15, 2049.
Interest rate	The new bonds will bear interest at 3.950% per annum.
Interest payment dates	June 15 and December 15, of each year, commencing on December 15, 2019.
Optional redemption	Prior to December 15, 2048 (the date that is six months prior to the maturity date), we may redeem the new bonds at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the new bonds, at a redemption price, together with accrued and unpaid interest to the date of redemption, equal to the greater of: • 100% of their principal amount; or • the sum of the present values of the principal amount of the new bonds to be redeemed and the remaining scheduled payments of interest on the new bonds from the redemption date to December 15, 2048 (the date that is six months prior to the maturity date), discounted from their respective scheduled payment dates to the redemption date semiannually, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the Treasury Yield plus 25 basis points. On or after December 15, 2048 (the date that is six months prior to the maturity date), we may redeem the new bonds at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the new bonds, at a redemption price equal to 100% of the principal amount of the new bonds being redeemed, together with accrued and unpaid interest to the date of redemption. See "Description of the New Bonds—Optional Redemption."
Security	The new bonds will be secured by our assets that are currently mortgaged pursuant to the existing Mortgage. See "Description of the New Bonds—Priority and Security."
Ranking	The new bonds will be our senior obligations and will rank equally in right of payment with our other existing or future First Mortgage

	Bonds issued under the Mortgage. As of March 31, 2019, the carrying value of our indebtedness was $585.5 million, with approximately $575.0 million of outstanding long-term indebtedness in the form of First Mortgage Bonds.
Use of proceeds	We estimate that the net proceeds from the offering of the new bonds will be approximately $417.3 million, after deducting the initial purchasers' discount and estimated fees and expenses for the offering payable by us. We intend to use cash on hand and the net proceeds from this offering to prepay the total amount due under our variable rate $445,000,000 credit agreement dated as of August 24, 2016 with JPMorgan Chase Bank, N.A. as administrative agent and collateral agent (as amended by that certain First Amendment dated as of January 3, 2018, our "Term Loan B Credit Agreement"). See "Use of Proceeds."
Dividend restrictions	The Mortgage does not restrict our ability to pay dividends on our common stock.
Transfer restrictions	The new bonds have not been registered under the Securities Act or any state securities law. Unless they are registered, the new bonds may not be offered or sold except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. See "Notice to Investors."
Exchange offer; registration rights	Under a registration rights agreement to be executed in connection with this offering, we will agree to file an exchange offer registration statement registering exchange bonds with the SEC that have substantially identical terms as the new bonds and to use reasonable best efforts to consummate an offer to exchange the exchange bonds for the new bonds on or prior to the date that is 390 days after the date of issuance of the new bonds. We also will agree to file and to use reasonable best efforts to cause to become effective a shelf registration statement relating to the resale of the new bonds under certain circumstances. We will pay additional interest on the new bonds if the exchange offer is not completed by the applicable date set forth above or if the shelf registration statement is not declared effective by the 90th day after the obligation to file such shelf registration statement arises, in each case, if required, until the completion of the exchange offer, the shelf registration statement is declared effective or the new bonds are freely tradable. See "Exchange Offer; Registration Rights."
Book-entry form	The new bonds will be issued in book-entry form represented by one or more global certificates to be deposited with or on behalf of The Depository Trust Company, or DTC, or its nominee. Transfers of the new bonds will be effected only through the facilities of DTC.

	Beneficial interests in the global certificates may not be exchanged for certificated bonds except in limited circumstances. See "Description of the New Bonds—Book-Entry, Delivery and Form."
Trustee	The Bank of New York Mellon.
Risk factors	See "Risk Factors" beginning on page 6 of this offering memorandum and the other information in this offering memorandum for a discussion of factors you should consider carefully before deciding to invest in the new bonds.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OPERATING DATA

The following table presents our summary financial data which should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited financial statements and the related notes thereto incorporated by reference in this offering memorandum. The summary statement of operations data and statement of cash flows data for the years ended December 31, 2018, 2017 and 2016 and summary balance sheet data as of December 31, 2018, 2017 and 2016 are derived from our audited financial statements incorporated by reference herein. The summary statement of operations data and statement of cash flows data for the three-month periods ended March 31, 2019 and 2018 and summary balance sheet data as of March 31, 2019 and 2018 are derived from our unaudited condensed financial statements incorporated by reference herein. Our unaudited condensed financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of DP&L's management, include all adjustments necessary for a fair presentation of such data. Our historical results of operations are not necessarily indicative of results to be expected for any future period.

	Three months ended March 31,		Year ended December 31,		
	2019	2018	2018	2017	2016
($ in millions)	(unaudited)			(audited)	
Total electric sales (millions of kWh)	3,830	3,879	15,194	14,401	15,008
Statement of Operations Data:					
Revenues	$ 201.4	$ 196.0	$ 738.7	$ 720.0	$ 808.0
Operating income	41.6	28.8	135.1	122.1	169.0
Capital expenditures	(33.7)	(24.6)	(93.1)	(101.7)	(128.3)
Net income/(loss)	29.0	15.7	86.7	17.0	(772.7)
Balance Sheet Data (end of period):					
Total assets	1,792.9	1,666.9	1,819.6	1,695.9	2,035.1
Long-term debt(1)	580.9	583.1	581.5	642.0	731.5
Total common shareholder's equity	$ 474.4	$ 403.3	$ 445.3	$ 330.7	$ 362.3

(1) Excluded from this line are current portions of long-term debt.

RISK FACTORS

Investing in the new bonds involves a high degree of risk. You should carefully consider the risks discussed below, together with the financial and other information contained or incorporated by reference in this offering memorandum, before deciding whether to invest in the new bonds. If any of the risks described below or in the documents incorporated by reference, including the risks identified in our Form 10-K, actually occurs, our business, business prospects, financial condition, results of operations or cash flows could be materially and adversely affected. In any such case, the value of the new bonds could decline, and you could lose all or part of your investment. The risks below and those incorporated by reference in this offering memorandum are not the only ones facing us. Additional risks not currently known to us or that we currently deem immaterial may also materially and adversely affect us.

Risks Related to the Business

We may not always be able to recover our costs to deliver electricity to our retail customers. The costs we can recover and the return on capital we are permitted to earn for certain aspects of our business are regulated and governed by the laws of Ohio and the rules, policies and procedures of the PUCO.

In Ohio, retail generation rates are not subject to cost-based regulation, while the transmission and distribution businesses are still regulated. Even though rate regulation is premised on full recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that the PUCO will agree that all of our costs have been prudently incurred or are recoverable. On May 1, 2008, SB 221, an Ohio electric energy bill, was adopted that requires all Ohio distribution utilities to file either an Electric Security Plan ("ESP") or Market Rate Option, and established a significantly excessive earnings test for Ohio public utilities that measures a utility's earnings to determine whether there have been significantly excessive earnings during a given calendar year. There can be no assurance that the regulatory process in which rates are determined will always result in rates that will produce a full or timely recovery of our costs or permitted rates of return. Accordingly, the revenue we receive may or may not match our expenses at any given time.

Changes in or reinterpretations of, or the unexpected application of the laws, rules, policies and procedures that set or govern electric rates, permitted rates of return, rate structures, operation of a competitive bid structure to supply retail generation service to SSO customers, reliability initiatives, capital expenditures and investments and the recovery of these and other costs on a full or timely basis through rates, power market prices and the frequency and timing of rate increases could have a material adverse effect on our results of operations, financial condition and cash flows.

Our increased costs due to renewable energy and energy efficiency requirements may not be fully recoverable in the future.

Ohio law contains annual targets for energy efficiency which began in 2009 and require increasing energy reductions each year compared to a baseline energy usage, up to 22.3% by 2027. Peak demand reduction targets began in 2009 with increases in required percentages each year, up to 7.75% by 2020. The renewable energy standards have increased our costs and are expected to continue to increase (and could materially increase) these costs. We are entitled to recover costs associated with our renewable energy compliance costs, as well as our energy efficiency and demand response programs. If in the future we are unable to timely or fully recover these costs, it could have a material adverse effect on our results of operations, financial condition and cash flows. In addition, if we were found not to be in compliance with these standards, monetary penalties could apply. These penalties are not permitted to be recovered from customers and significant penalties could have a material adverse effect on our results of operations, financial condition and cash flows. The demand reduction and energy efficiency standards by design result in reduced energy and demand that could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be negatively affected by a lack of growth or a decline in the number of customers.

Customer growth is affected by a number of factors outside our control, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity. A lack of growth, or a decline, in the number of customers in our service territory could have a material adverse effect on our results of operations, financial condition and cash flows and may cause us to fail to fully realize anticipated benefits from investments and expenditures.

We are subject to numerous environmental laws, rules and regulations that require capital expenditures, increase our cost of operations and may expose us to environmental liabilities.

We are subject to various federal, state, regional and local environmental protection and health and safety laws and regulations governing, among other things, the remediation of retired generation and other facilities, storage, handling, use, disposal and transportation of coal combustion residuals ("CCR") and other materials, some of which may be defined as hazardous materials, the emission and discharge of hazardous and other materials into the environment; and the health and safety of our employees. Such laws, rules and regulations tend to become stricter over time, and we could also become subject to additional environmental laws, rules and regulations and other requirements in the future. Environmental laws, rules and regulations also require us to comply with inspections and obtain and comply with a wide variety of environmental licenses, permits, inspections and other governmental authorizations. These laws, rules and regulations often require a lengthy and complex process of obtaining and renewing licenses, permits and other governmental authorizations from federal, state and local agencies. If we are not able to timely comply with inspections and obtain, maintain or comply with all environmental laws, rules and regulations and all licenses, permits and other government authorizations required to operate our business, then our operations could be prevented, delayed or subject to additional costs. A violation of environmental laws, rules, regulations, licenses, permits or other requirements can result in substantial fines, penalties, other sanctions, permit revocation, facility shutdowns, the imposition of stricter environmental standards and controls or other injunctive measures affecting operating assets. In addition, any actual or alleged violation of these laws, rules or regulations, or other requirements may require us to expend significant resources to defend against any such actual or alleged violations. Under certain environmental laws, we could also be held strictly, jointly and severally responsible for costs relating to contamination at our past or present facilities and at third-party waste disposal sites. We could also be held liable for human exposure to hazardous substances or for other environmental damage.

In particular, we are subject to potentially significant remediation expenses, enforcement initiatives, private-party lawsuits and reputational risk associated with CCR. CCR, which consists of bottom ash, fly ash and air pollution control wastes generated at our current and former coal-fired generation plant sites, is currently handled and/or has been handled in the past in the following ways: placement in onsite CCR ponds; disposal and beneficial use in onsite and offsite permitted, engineered landfills; use in various beneficial use applications, including encapsulated uses and structural fill; and use in permitted offsite mine reclamation. CCR currently remains onsite at several of our facilities, including in CCR ponds. The final CCR rule of the U.S. Environmental Protection Agency ("USEPA"), which became effective in October 2015 and is currently subject to litigation and undergoing revisions by the USEPA, regulates CCR as nonhazardous solid waste and establishes national minimum criteria for existing and new CCR landfills, impoundments and ponds, including location restrictions, design and operating criteria, groundwater monitoring, corrective action and closure requirements and post-closure care. On December 16, 2016, President Obama signed the Water Infrastructure Improvements for the Nation ("WIIN") Act into law, which includes provisions to implement the CCR rule through a state permitting program, or if the state chooses not to participate, a possible federal permit program. The primary enforcement mechanisms for the CCR rule could be actions commenced by the USEPA, states and private lawsuits. Compliance with the CCR rule, amendments to the federal CCR rule, or other federal, state or foreign rules or programs addressing CCR may require us to incur substantial costs. In addition, CCR, particularly with respect to its beneficial use and regulation as nonhazardous solid waste, has been the subject of interest from environmental non-governmental organizations and the media. Any of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows.

From time to time we are subject to enforcement and litigation actions for claims of noncompliance with environmental laws, rules and regulations or other environmental requirements. We cannot assure that we will be successful in defending against any claim of noncompliance. Any actual or alleged violation of these laws, rules and regulations and other requirements may require us to expend significant resources to defend against any such actual or alleged violations and expose us to unexpected costs. Our costs and liabilities relating to environmental matters could have a material adverse effect on our results of operations, financial condition and cash flows.

The use of non-derivative and derivative instruments in the normal course of business could result in losses that could negatively impact our results of operations, financial position and cash flows.

From time to time, we use non-derivative and derivative instruments, such as swaps, options, futures and forwards, to manage financial risks. These trades are affected by a range of factors, including fluctuations in interest rates and optimization opportunities. We have attempted to manage our risk exposure by establishing and enforcing risk limits and risk management policies. Despite our efforts, however, these risk limits and risk management policies may not work as planned and fluctuating prices and other events could adversely affect our results of operations, financial condition and cash flows. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these instruments can involve management's judgment or the use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of some of these contracts. We could also recognize financial losses as a result of volatility in the market values of these contracts, a counterparty failing to perform or the underlying transactions which the instruments are intended to hedge failing to materialize, which could result in a material adverse effect on our results of operations, financial condition and cash flows.

The Dodd-Frank Act contains significant requirements related to derivatives that, among other things, could reduce the cost effectiveness of entering into derivative transactions.

In July 2010, The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act contains significant requirements relating to derivatives, including, among others, a requirement that certain transactions be cleared on exchanges that would necessitate the posting of cash collateral for these transactions. We are considered an end-user under the Dodd-Frank Act and therefore are exempt from most of the collateral and margining requirements. We are required to report our bilateral derivative contracts, unless our counterparty is a major swap participant or has elected to report on our behalf. Even though we qualify for an exception from these requirements, our counterparties that do not qualify for the exception may pass along any increased costs incurred by them through higher prices and reductions in unsecured credit limits or be unable to enter into certain transactions with us. The occurrence of any of these events could have a material adverse effect on our results of operations, financial condition and cash flows.

Our business is sensitive to weather and seasonal variations.

Weather conditions significantly affect the demand for electric power and, accordingly, our business is affected by variations in general weather conditions and unusually severe weather. As a result of these factors, our operating revenues and associated operating expenses are not generated evenly by month during the year. We forecast electric sales on the basis of normal weather, which represents a long-term historical average. In addition, severe or unusual weather, such as hurricanes and ice or snow storms, may cause outages and property damage that may require us to incur additional costs that may not be insured or recoverable from customers. While we are permitted to seek recovery of storm damage costs, if we are unable to fully recover such costs in a timely manner, it could have a material adverse effect on our results of operations, financial condition and cash flows.

Our membership in a regional transmission organization presents risks that could have a material adverse effect on our results of operations, financial condition and cash flows.

On October 1, 2004, in compliance with Ohio law, we turned over control of our transmission functions and fully integrated into PJM Interconnection, LLC ("PJM"), a regional transmission organization ("RTO").

The rules governing the various regional power markets may also change from time to time which could affect our costs and revenues and have a material adverse effect on our results of operations, financial condition and cash flows. We may be required to expand our transmission system according to decisions made by PJM rather than our internal planning process. Various proposals and proceedings before the Federal Energy Regulatory Commission (the "FERC") may cause transmission rates to change from time to time. In addition, PJM has developed and continues to refine rules associated with the allocation and methodology of assigning costs associated with improved transmission reliability, reduced transmission congestion and firm transmission rights that may have a financial effect on us. We also incur fees and costs to participate in PJM.

SB 221 includes a provision that allows electric utilities to seek and obtain recovery of RTO-related charges. Therefore, non-market-based costs are being recovered from all retail customers through the transmission rider. If in the future, however, we are unable to recover all of these costs in a timely manner this could have a material adverse effect on our results of operations, financial condition and cash flows.

As a member of PJM, we are also subject to certain additional risks including those associated with the allocation of losses caused by unreimbursed defaults of other participants in PJM markets among PJM members and those associated with complaint cases filed against PJM that may seek refunds of revenues previously earned by PJM members including us. These amounts could be significant and have a material adverse effect on our results of operations, financial condition and cash flows.

Costs associated with new transmission projects could have a material adverse effect on our results of operations, financial condition and cash flows.

Annually, PJM performs a review of the capital additions required to provide reliable electric transmission services throughout its territory. PJM traditionally allocated the costs of constructing these facilities to those entities that benefited directly from the additions. Over the last several years, however, some of the costs of constructing new large transmission facilities have been "socialized" across PJM without a direct relationship between the costs assigned to and benefits received by particular PJM members. To date, the additional costs charged to us for new large transmission approved projects have not been material. Over time, as more new transmission projects are constructed and if the allocation method is not changed, the annual costs could become material. We are recovering the Ohio retail jurisdictional share of these allocated costs from its retail customers through the Transmission Cost Recovery Rider. To the extent that any costs in the future are material and we are unable to recover them from our customers, such costs could have a material adverse effect on our results of operations, financial condition and cash flows.

If we were found not to be in compliance with the mandatory reliability standards, we could be subject to sanctions, including substantial monetary penalties.

As an owner of a bulk power transmission system, we are subject to mandatory reliability standards promulgated by the North American Electric Reliability Corporation (the "NERC') and enforced by the FERC. The standards are based on the functions that need to be performed to ensure the bulk power system operates reliably and is guided by reliability and market interface principles. In addition, we are subject to Ohio reliability standards and targets. Compliance with reliability standards may subject us to higher operating costs or increased capital expenditures. Although we expect to recover costs and expenditures from customers through regulated rates, there can be no assurance that the PUCO will approve full recovery in a timely manner. If we were found not to be in compliance with the mandatory reliability standards, we could be subject to sanctions, including substantial monetary penalties, which could have a material adverse effect on our results of operations, financial condition and cash flows.

We rely on access to the financial markets. General economic conditions and disruptions in the financial markets could adversely affect our ability to raise capital on favorable terms, or at all, and cause increases in our interest expense.

From time to time we rely on access to the capital and credit markets as a source of liquidity for capital requirements not satisfied by operating cash flows. These capital and credit markets experience volatility and disruption from time to time and the ability of corporations to raise capital can be negatively affected. Disruptions in the capital and credit markets make it harder and more expensive to raise capital. It is possible that our ability to raise capital on favorable terms, or at all, could be adversely affected by future market conditions, and, despite our efforts, we may be unable to access adequate funding to refinance our debt as it becomes due or finance capital expenditures. The extent of any impact will depend on several factors, including our operating cash flows, financial condition and prospects, the overall supply and demand in the credit markets, our credit ratings, credit capacity, the cost of financing, the financial condition, performance and prospects of other companies in our industry or with similar financial circumstances and other general economic and business conditions. It may also depend on the performance of credit counterparties and financial institutions with which we do business. Access to funds under our existing financing arrangements is also dependent on the ability of our counterparties to meet their financing commitments. Our inability to obtain financing on reasonable terms, or at all, with creditworthy counterparties could adversely affect our results of operations, financial condition and cash flows. If our available funding is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and increase our cost of funding, both of which could reduce our profitability. See Note 7 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 6 of the notes to our financial statements incorporated by reference from our Form 10-Q.

Our transmission and distribution system is subject to operational, reliability and capacity risks.

The ongoing reliable performance of our transmission and distribution system is subject to risks due to, among other things, weather damage, intentional or unintentional damage, equipment or process failure, catastrophic events, such as fires and/or explosions, facility outages, labor disputes, accidents or injuries, operator error or inoperability of key infrastructure internal or external to us and events occurring on third party systems that interconnect to and affect our system. The failure of our transmission and distribution system to fully operate and deliver the energy demanded by customers could have a material adverse effect on our results of operations, financial condition and cash flows, and if such failures occur frequently and/or for extended periods of time, could result in adverse regulatory action. In addition, the advent and quick adoption of new products and services that require increased levels of electrical energy cannot be predicted and could result in insufficient transmission and distribution system capacity. Also, as a result of the above risks and other potential risks and hazards associated with transmission and distribution operations, we may from time to time become exposed to significant liabilities for which we may not have adequate insurance coverage. We maintain an amount of insurance protection that we believe is adequate, but there can be no assurance that our insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject. Further, any increased costs or adverse changes in the insurance markets may cause delays or inability in maintaining insurance coverage on terms similar to those presently available to us or at all. A successful claim for which we are not fully insured could have a material adverse effect on our results of operations, financial condition and cash flows.

Current and future conditions in the economy may adversely affect our customers, suppliers and other counterparties, which may adversely affect our results of operations, financial condition and cash flows.

Our business, results of operations, financial condition and cash flows have been and will continue to be affected by general economic conditions. Slowing economic growth, credit market conditions, fluctuating consumer and business confidence, fluctuating commodity prices and other challenges currently affecting the general economy, have caused and may continue to cause some of our customers to experience deterioration of their businesses, cash flow shortages and difficulty obtaining financing. As a result, existing customers may reduce their electricity consumption and may not be able to fulfill their payment obligations to us in a normal, timely fashion. In addition, some existing commercial and industrial customers may discontinue their operations. Sustained downturns, recessions or a sluggish economy generally affect the markets in which we operate and negatively influence our energy operations. A contracting, slow or sluggish economy could reduce the demand for energy in areas in which we are doing business. For example, during economic downturns, our commercial and industrial customers may see a decrease in demand for their products, which in turn may lead to a decrease in the amount of energy they require. Furthermore, projects which may result in potential new customers may be delayed until economic conditions improve. Some of our suppliers, customers, other counterparties and others with whom we transact business may also experience financial difficulties, which may impact their ability to fulfill their obligations to us or result in their declaring bankruptcy or similar insolvency-type proceedings. For example, our counterparties on forward purchase contracts and financial institutions involved in our credit facility may become unable to fulfill their contractual obligations. We may not be able to enter into replacement agreements on terms as favorable as our existing agreements. Reduced demand for our electric services, failure by our customers to timely remit full payment owed to us and supply delays or unavailability could have a material adverse effect on our results of operations, financial condition and cash flows. In particular, the projected economic growth and total employment in our service territory are important to the realization of our forecasts for annual energy sales.

The level of our indebtedness, and the security provided for this indebtedness, could adversely affect our financial flexibility, and a material change in market interest rates could adversely affect our results of operations, financial condition and cash flows.

As of March 31, 2019, the carrying value of our debt was $585.5 million. Of our indebtedness, there was approximately $140.0 million aggregate principal amount of tax-exempt First Mortgage Bonds outstanding and approximately $435.0 million aggregate principal amount of First Mortgage Bonds outstanding in connection with our Term Loan B Credit Agreement as of March 31, 2019, which are each secured by the pledge of substantially all of our assets under the terms of our First & Refunding Mortgage. This level of indebtedness and related security could have important consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limiting, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds, as needed.

If we issue additional debt in the future, we will be subject to the terms of such debt agreements and be required to obtain regulatory approvals. To the extent we increase our leverage, the risks described above would also increase. Further, actual cash requirements in the future may be greater than expected. Accordingly, our cash flows from operations may not be sufficient to repay all of the outstanding debt as it becomes due and, in that event, we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt as it becomes due. For a further discussion of our outstanding debt obligations, see Note 7 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 6 of the notes to our financial statements incorporated by reference from our Form 10-Q.

We have variable rate debt that bears interest based on a prevailing rate that is reset based on a market index that can be affected by market demand, supply, market interest rates and other market conditions. We also maintain both cash on deposit and investments in cash equivalents from time to time that could be impacted by interest rate fluctuations. As such, any event which impacts market interest rates could have a material effect on our results of operations, financial condition and cash flows. In addition, rating agencies issue ratings on our credit and our debt that affect our borrowing costs under our financial arrangements and affect our potential pool of investors and funding sources. Credit ratings also govern the collateral provisions of certain of our contracts. If the rating agencies were to downgrade our credit ratings further, our borrowing costs would likely further increase, our potential pool of investors and funding resources could be reduced and we could be required to post additional collateral under select contracts. These events would likely reduce our liquidity and profitability and could have a material adverse effect on our results of operations, financial condition and cash flows.

Economic conditions relating to the asset performance and interest rates of our pension and postemployment benefit plans could materially and adversely impact our results of operations, financial condition and cash flows.

Pension costs are based upon a number of actuarial assumptions, including an expected long-term rate of return on pension plan assets, level of employer contributions, the expected life span of pension plan beneficiaries and the discount rate used to determine the present value of future pension obligations. Any of these assumptions could prove to be wrong, resulting in a shortfall of our pension and postemployment benefit plan assets compared to obligations under our pension and postemployment benefit plans. Further, the performance of the capital markets affects the values of the assets that are held in trust to satisfy future obligations under our pension and postemployment benefit plans. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected return rates. A decline in the market value of the pension and postemployment benefit plan assets will increase the funding requirements under our pension and postemployment benefit plans if the actual asset returns do not recover these declines in value in the foreseeable future. Future pension funding requirements, and the timing of funding payments, may also be subject to changes in legislation. We are responsible for funding any shortfall of our pension and postemployment benefit plans' assets compared to obligations under the pension and postemployment benefit plans, and a significant increase in our pension liabilities could materially and adversely impact our results of operations, financial condition and cash flows. We are subject to the Pension Protection Act of 2006, which requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. As a result, our required contributions to these plans, at times, have increased and may increase in the future. In addition, our pension and postemployment benefit plan liabilities are sensitive to changes in interest rates. When interest rates decrease, the discounted liabilities increase benefit expense and funding requirements. Further, changes in demographics, including increased numbers of retirements or changes in life expectancy assumptions, may also increase the funding requirements for the obligations related to the pension and other postemployment benefit plans. Declines in market values and increased funding requirements could have a material adverse effect on our results of operations, financial condition and cash flows.

Counterparties providing materials or services may fail to perform their obligations, which could harm our results of operations, financial condition and cash flows.

We enter into transactions with and rely on many counterparties in connection with our business, including for purchased power, for our capital improvements and additions and to provide professional services, such as actuarial calculations, payroll processing and various consulting services. If any of these counterparties fails to perform its obligations to us or becomes unavailable, our business plans may be materially disrupted, we may be forced to discontinue certain operations if a cost-effective alternative is not readily available or we may be forced to enter into alternative arrangements at then-current market prices that may exceed our contractual prices and cause delays. Although our agreements are designed to mitigate the consequences of a potential default by the counterparty, our actual exposure may be greater than relief provided by these mitigation provisions. Any of the foregoing could result in regulatory actions, cost overruns, delays or other losses, any of which (or a combination of which) could have a material adverse effect on our results of operations, financial condition and cash flows.

Further, from time to time our construction program may call for extensive expenditures for capital improvements and additions, including the installation of upgrades, improvements to transmission and distribution facilities, as well as other initiatives. As a result, we may engage contractors and enter into agreements to acquire necessary materials and/or obtain required construction related services. In addition, some contracts may provide for us to assume the risk of price escalation and availability of certain metals and key components. This could force us to enter into alternative arrangements at then-current market prices that may exceed our contractual prices and cause construction delays. It could also subject us to enforcement action by regulatory authorities to the extent that such a contractor failure resulted in a failure by us to comply with requirements or expectations, particularly with regard to the cost of the project. If these events were to occur, we might incur losses or delays in completing construction.

Accidental improprieties and undetected errors in our internal controls and information reporting could result in the disallowance of cost recovery, noncompliant disclosure or incorrect payment processing.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP in the United States of America, laws and regulations, taxation requirements and federal securities laws and regulations in order to, among other things, disclose and report financial and other information in connection with the recovery of our costs and with our reporting requirements under federal securities, tax and other laws and regulations and to properly process payments. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002. Our internal controls and policies have been and continue to be closely monitored by management and our Board of Directors. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated and unauthorized actions of employees, temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to improprieties and undetected errors that could result in the disallowance of cost recovery, noncompliant disclosure and reporting or incorrect payment processing. The consequences of these events could have a material adverse effect on our results of operations, financial condition and cash flows.

New accounting standards or changes to existing accounting standards could materially affect how we report our results of operations, financial condition and cash flows.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The SEC, Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies. These changes are beyond our control, can be difficult to predict and could materially affect how we report our results of operations, financial condition and cash flows. We could be required to apply a new or revised standard retroactively, which could adversely affect our financial condition. In addition, in preparing our financial statements, management is required to make estimates and assumptions. Actual results could differ significantly from those estimates.

We are subject to extensive laws and local, state and federal regulation, as well as litigation and other proceedings that could affect our operations and costs.

As an electric utility, we are subject to extensive regulation at both the federal and state level. For example, at the federal level, we are regulated by the FERC and the NERC and, at the state level, by the PUCO. The regulatory power of the PUCO over us is both comprehensive and typical of the traditional form of regulation generally imposed by state public utility commissions. We face the risk of unexpected or adverse regulatory action. Regulatory discretion is reasonably broad in Ohio. We are subject to regulation by the PUCO as to our services and facilities, the valuation of property, the construction, purchase, or lease of electric facilities, the classification of accounts, rates of depreciation, the increase or decrease in retail rates and charges, the issuance of securities and incurrence of debt, the acquisition and sale of some public utility properties or securities and certain other matters. As a result of the Energy Policy Act of 2005 and subsequent legislation affecting the electric utility industry, we have been required to comply with rules and regulations in areas including mandatory reliability standards, cybersecurity, transmission expansion and energy efficiency. Complying with the regulatory environment to which we are subject requires us to expend a significant amount of funds and resources. The failure to comply with this regulatory environment could subject us to substantial financial costs and penalties and changes, either forced or voluntary, in the way we operate our business that could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be subject to material litigation, regulatory proceedings, administrative proceedings, audits, settlements, investigations and claims from time to time which may require us to expend significant funds to address. There can be no assurance that the outcome of these matters will not have a material adverse effect on our business, results of operations, financial condition and cash flows. Asbestos and other regulated substances are, and may continue to be, present at our facilities, and we have been named as a defendant in asbestos litigation. The continued presence of asbestos and other regulated substances at these facilities could result in additional litigation being brought against us, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Tax legislation initiatives or challenges to our tax positions could adversely affect our operations and financial condition.

We are subject to the tax laws and regulations of the U.S. federal, state and local governments. From time to time, legislative measures may be enacted that could adversely affect our overall tax positions regarding income or other taxes. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these legislative measures.

For example, the United States federal government recently enacted tax reform that, among other things, reduces U.S. federal corporate income tax rates, imposes limits on tax deductions for interest expense and changes the rules related to capital expenditure cost recovery. There are a number of uncertainties and ambiguities as to the interpretation and application of many of the provisions of the newly enacted tax reform measure. Given the unpredictability of these possible changes and their potential interdependency, it remains difficult to assess the overall effect such tax changes will have on our earnings and cash flow, and the extent to which such changes could adversely impact our results of operations. As the impacts of the new law are determined, and as yet-to-be-released regulations and other guidance interpreting the new law are issued and finalized, our financial results could be materially impacted.

In addition, U.S. federal, state and local tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our tax positions will be sustained if challenged by relevant tax authorities and if not sustained, there could be a material adverse effect on our results of operations, financial condition and cash flows.

If we are unable to maintain a qualified and properly motivated workforce, it could have a material adverse effect on our results of operations, financial condition and cash flows.

One of the challenges we face is to retain a skilled, efficient and cost-effective workforce while recruiting new talent to replace losses in knowledge and skills due to resignations, terminations or retirements. This undertaking could require us to make additional financial commitments and incur increased costs. If we are unable to successfully attract and retain an appropriately qualified workforce, it could have a material adverse effect on our results of operations, financial condition and cash flows. In addition, we have employee compensation plans that reward the performance of our employees. We seek to ensure that our compensation plans encourage acceptable levels for risk and high performance through pay mix, performance metrics and timing. We may not be able to successfully train new personnel as current workers with significant knowledge and expertise retire. We also may be unable to staff our business with qualified personnel in the event of significant absenteeism related to a pandemic illness. Excessive risk-taking by our employees to achieve performance targets, though mitigated by policies and procedures, could result in events that have a material adverse effect on our results of operations, financial condition and cash flows.

We are subject to collective bargaining agreements that could adversely affect our business, results of operations, financial condition and cash flows.

We are subject to collective bargaining agreements with employees who are members of a union. Over half of our employees are represented by a collective bargaining agreement that expires on October 31, 2020. While we believe that we maintain a satisfactory relationship with our employees, it is possible that labor disruptions affecting some or all of our operations could occur during the period of the collective bargaining agreement or at the expiration of the collective bargaining agreement before a new agreement is negotiated. Work stoppages by, or poor relations or ineffective negotiations with, our employees or other workforce issues could have a material adverse effect on our results of operations, financial condition and cash flows.

Potential security breaches (including cybersecurity breaches) and terrorism risks could adversely affect our businesses.

We operate in a highly regulated industry that requires the continued operation of sophisticated systems and network infrastructure at our generation stations, fuel storage facilities and transmission and distribution facilities. We also use various financial, accounting and other systems in our businesses. These systems and facilities are vulnerable to unauthorized access due to hacking, viruses, other cybersecurity attacks and other causes. In particular, given the importance of energy and the electric grid, there is the possibility that our systems and facilities could be targets of terrorism or acts of war. We have implemented measures to help prevent unauthorized access to our systems and facilities, including network and system monitoring, identification and deployment of secure technologies, and certain other measures to comply with mandatory regulatory reliability standards. Pursuant to NERC requirements, we have a robust cybersecurity plan in place and are subject to regular audits by an independent auditor approved by the NERC. We routinely test our systems and facilities against these regulatory requirements in order to measure compliance, assess potential security risks, and identify areas for improvement. In addition, we provide cybersecurity training for our employees and perform exercises designed to raise employee awareness of cyber risks on a regular basis. To date, cyber-attacks on our business and operations have not had a material impact on our operations or financial results. Despite these efforts, if our systems or facilities were to be breached or disabled, we may be unable to recover them in a timely manner to fulfill critical business functions, including the supply of electric services to our customers, and we could experience decreases in revenues and increases in costs that could have a material adverse effect on our results of operations, financial condition and cash flows.

In the course of our business, we also store and use customer, employee, and other personal information and other confidential and sensitive information, including personally identifiable information and personal financial information. If our or our third-party vendors' systems were to be breached or disabled, sensitive and confidential information and other data could be compromised, which could result in negative publicity, remediation costs and potential litigation, damages, consent orders, injunctions, fines and other relief.

To help mitigate these risks, we maintain insurance coverage against some, but not all, potential losses, including coverage for illegal acts against us. However, insurance may not be adequate to protect us against all costs and liabilities associated with these risks.

Our ownership relationships with DPL and AES subject us to potential risks that are beyond our control.

All of our common stock is owned by DPL, which is a wholly-owned indirect subsidiary of AES. Due to our relationships with DPL and AES, any adverse developments and announcements concerning them may impair our ability to access the capital markets and to otherwise conduct business. In particular, downgrades in DPL or AES's credit ratings could likely result in our credit ratings being downgraded. Our common stock is pledged to secure certain indebtedness of DPL.

Impairment of long-lived assets would negatively affect our results of operations and net worth.

Long-lived assets are amortized or depreciated over their estimated useful lives. Long-lived assets are evaluated for impairment only when impairment indicators are present. The recoverability assessment of long-lived assets requires making estimates and assumptions to determine fair value, as described above.

Risks Related to the New Bonds

The collateral securing the new bonds is illiquid.

All of our First Mortgage Bonds, including the new bonds, are secured by the lien of the First Mortgage which constitutes a valid, direct first mortgage lien upon our interest in substantially all the property now owned by us, subject to certain exceptions. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The liquidity and value of the collateral could be impaired in the future as a result of changing economic conditions, competition, environmental conditions and other factors, including the availability of suitable buyers. Further, any foreclosure proceedings with respect to the collateral are likely to be subject to regulatory approval and no assurance can be given that such approval will be given for any particular purchaser of the collateral. The right of the trustee under the First Mortgage to realize on assets subject to the lien of the First Mortgage upon an event of default under the First Mortgage is likely to be significantly impaired or delayed by applicable bankruptcy law if a bankruptcy case were to be commenced by or against us before the trustee repossessed and disposed of the pledged assets. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be given that the proceeds from any sale or liquidation of the collateral subject to the lien of the First Mortgage will be sufficient to pay obligations under the First Mortgage Bonds, including the new bonds, in full or at all.

There is currently no public market for the new bonds; the new bonds are subject to restrictions on transfer.

The new bonds have not been registered under the Securities Act or any state securities laws. Accordingly, the new bonds may be offered or sold only pursuant to an exemption from registration requirements of the Securities Act and applicable state securities laws or pursuant to an effective registration statement. See “Notice to Investors.”

We have not listed and we do not intend to list the new bonds on any national securities exchange or to seek their quotation on any automated dealer quotation system. The new bonds are a new issue of securities with no established trading market. Although the initial purchasers have informed us that they currently intend to make a market for the new bonds, they are not obligated to do so and any such market making may be discontinued at any time without notice. In addition, their market-making activities will be subject to limits imposed by the Securities Act and the Exchange Act. We do not intend to apply for listing of the new bonds on any securities exchange or market. Accordingly, there can be no assurance as to the liquidity of any market that may develop for the new bonds. If an active market is not developed or sustained, the market price and liquidity of the new bonds may be adversely affected.

Even if an active trading market for the new bonds were to develop, the new bonds could trade at prices that may be lower than the initial offering price. Whether or not the new bonds trade at lower prices depends on many factors, some of which are beyond our control, including:

- prevailing interest rates;
- demand for similar debt securities generally;
- general economic conditions;
- our financial condition, performance and future prospects; and
- prospects for companies in our industry generally.

Credit rating downgrades could adversely affect the trading price of the new bonds.

The trading price for the new bonds may be affected by our credit rating, and our credit rating may be affected by the credit rating of DPL and/or AES. Credit ratings are continually revised. There is no assurance that any particular credit ratings will be issued or remain in effect for any given period of time or that such ratings will not be downgraded, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Holders of the new bonds will have no recourse against us in the event of a change in or suspension or withdrawal of such ratings. Any downgrade in our credit rating or the credit rating of DPL and/or AES could adversely affect the trading price of the new bonds or the trading markets for the new bonds to the extent trading markets for the new bonds develop.

DPL beneficially owns all of our issued and outstanding equity, and may take actions that conflict with your interests.

DPL beneficially owns all of the issued and outstanding equity interests of DP&L. As a result of this equity ownership, DPL has the power to direct votes and the election of our Board of Directors, as well as transactions involving a potential change of control of DP&L. The interests of DPL could conflict with your interests as a holder of the new bonds. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of DPL as the beneficial owner of all of our equity might conflict with your interests as a holder of the new bonds. DPL may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that would enhance the value of their equity position in our company. Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to us as well as to DPL or its affiliates, including through potential acquisitions by DPL or its affiliates of competing businesses. Any competition could intensify if an affiliate or subsidiary of DPL were to enter into or acquire a business similar to our business. Further, DPL has no obligation to provide us, directly or indirectly, with any equity or debt financing.

The collateral securing the new bonds might not be sufficient to satisfy all the obligations secured by the collateral.

Our obligations under the new bonds are secured by the Mortgage. The Mortgage is also for the benefit of all holders of other series of our First Mortgage Bonds. See "Description of the New Bonds—Priority and Security." As of March 31, 2019, after giving effect to the issuance of the new bonds and the use of proceeds therefrom as described under ''Use of Proceeds,'' we would have had approximately $565.0 million aggregate principal amount of First Mortgage Bonds outstanding. The value of the Mortgage in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the mortgaged property have been prepared by us or on our behalf in connection with this offering. Since no appraisals have been performed in connection with this offering, we cannot assure you that the proceeds of any sale of the mortgaged assets following an acceleration of maturity of the new bonds would be sufficient to satisfy amounts due on the new bonds and the other debt secured by the mortgaged assets.

There are restrictions on your ability to resell the new bonds.

The new bonds have not been registered under the Securities Act or any state securities laws. The new bonds are being offered and sold pursuant to an exemption from registration under U.S. and applicable state securities laws. As a result, the new bonds may be transferred or resold only in transactions registered under, or exempt from, U.S. and applicable state securities laws. An issue of restricted securities may command a lower price than does a comparable issue of unrestricted securities. Therefore, you may be required to bear the risk of your investment for an indefinite period of time. See "Notice to Investors."

We have agreed to file a registration statement with the SEC relating to an offer to exchange the new bonds for substantially identical bonds that will be registered under the Securities Act, and to use our commercially reasonable efforts to cause the registration statement to become effective. See "Exchange Offer; Registration Rights." The SEC, however, has broad discretion to determine whether any registration statement will be declared effective and may delay or deny the effectiveness of any registration statement for a variety of reasons. If a registration statement relating to the new bonds is not declared effective, ceases to be effective or you do not exchange the new bonds, your ability to transfer the new bonds will remain restricted.

We may choose to redeem the new bonds prior to maturity.

Prior to December 15, 2048 (the date that is six months prior to the maturity date), we may redeem the new bonds at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the new bonds, at a redemption price, together with accrued and unpaid interest to the date of redemption, equal to the greater of: (1) 100% of the principal amount of the new bonds being redeemed; or (2) the sum of the present values of the principal amount of the new bonds to be redeemed and the remaining scheduled payments of interest on the new bonds from the redemption date to December 15, 2048 (the date that is six months prior to the maturity date), discounted from their respective scheduled payment dates to the redemption date semiannually, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the Treasury Yield plus 25 basis points. On or after December 15, 2048 (the date that is six months prior to the maturity date), we may redeem the new bonds at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the new bonds, at a redemption price equal to 100% of the principal amount of the new bonds being redeemed, together with accrued and unpaid interest to the date of redemption. If prevailing interest rates are lower at the time of redemption, holders of the new bonds may not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as the interest rate on the new bonds being redeemed. Our redemption right may also adversely affect holders' ability to sell their new bonds. See "Description of the New Bonds—Optional Redemption."

USE OF PROCEEDS

We will receive net proceeds from this offering of approximately $417.3 million, after deducting the initial purchasers' discount and estimated fees and expenses for the offering payable by us.

We intend to use the net proceeds from this offering and cash on hand to prepay the total amount due under our Term Loan B Credit Agreement.

Certain of the initial purchasers in this offering or their affiliates serve as lenders and/or agents under our Term Loan B Credit Agreement and may receive a portion of the proceeds of this offering.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges for the periods presented is as follows:

	Rolling Twelve Months Ended March 31,	Year Ended December 31,		
	2019	2016	2015	2014
Ratio of earnings to fixed charges	`5.59	4.82	3.90	6.81

For the purposes of computing the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest on all indebtedness.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2019:

- on an actual basis; and
- as adjusted to reflect the sale by us of the new bonds pursuant to this offering and the application of the net proceeds of this offering as described under "Use of Proceeds."

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum and the financial statements and the notes thereto incorporated by reference.

	As of March 31, 2019	
	Actual	**As Adjusted**
	(in millions)	
Long-term debt(1)		
Term Loan B Credit Agreement	$ 435.0	$ —
First Mortgage Bonds due 2049 offered hereby	—	425.0
Tax-exempt First Mortgage Bonds due 2020	140.0	140.0
U.S. Government note due 2061	17.6	17.6
Total long-term debt	592.6	582.6
Total shareholder's equity	474.4	474.4
Total capitalization	$1,067.0	$1,057.0

(1) Excludes the unamortized discount and deferred financing costs with respect to the various series of long-term debt.

BUSINESS

We are a public utility incorporated in 1911 under the laws of Ohio. We offer retail standard service offer SSO electric service to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio and have the exclusive right to provide distribution and transmission services to more than 526,000 customers in that service area. In addition to our electric transmission and distribution businesses, we have a 4.9% interest in OVEC, an electric generating company. OVEC has two electric generating stations located in Cheshire, Ohio and Madison, Indiana with a combined generation capacity of 2,109 MW. Our share of this generation capacity is 103 MW.

The principal industries located in our service territory include automotive, food processing, paper, plastic, manufacturing and defense. Our sales reflect general economic and competitive conditions, seasonal weather patterns of the area and the growth of energy efficiency initiatives, however, our distribution revenues have been decoupled from weather and energy efficiency variations beginning January 1, 2019 as a result of the decoupling rider the PUCO approved in the DRO.

We strive to achieve stable, long-term growth through efficient operations and strong customer and regulatory relations. More specifically, our strategy is to utilize the transmission and distribution assets that transfer electricity at the most efficient cost, and to maintain the highest level of customer service and reliability. Our total revenue and net income for the quarter ended March 31, 2019 were $201.4 million and $29.0 million, respectively. In addition, as of March 31, 2019, we had total assets of approximately $1.8 billion. Our business is not dependent on any single customer or group of customers.

Our electric transmission and distribution businesses are subject to rate regulation by federal and state regulators. Accordingly, we apply the accounting standards for regulated operations to our electric transmission and distribution businesses and record regulatory assets when incurred costs are expected to be recovered in future customer rates, and regulatory liabilities when current cost recoveries in customer rates relate to expected future costs or overcollections of riders.

Seasonality

The power delivery business is seasonal and weather patterns have a material effect on energy demand. In the region we serve, demand for electricity is generally greater in the summer months associated with cooling and in the winter months associated with heating compared to other times of the year. Our sales typically reflect the seasonal weather patterns and the growth of energy efficiency initiatives, however, after the approval of the distribution rate order in 2018, our distribution revenues have been decoupled from weather and energy efficiency variations. Because of the impact of the new decoupling rider (effective January 1, 2019) and because our generation has greatly decreased in recent years due to plant sales and closures, we expect that weather and other factors influencing demand will have minimal impact on our net operating results going forward.

Storm activity can also have an adverse effect on our operating performance. Severe storms often damage transmission and distribution equipment, thereby causing power outages, which increase repair costs. Partially mitigating this impact is our ability to recover certain repair costs related to severe storms.

Rate Regulation and Government Legislation

Our delivery service to all retail customers as well as the provisions of our SSO service are regulated by the PUCO. In addition, certain costs are considered to be non-bypassable and are therefore assessed to all of our retail customers, under the regulatory authority of the PUCO, regardless of the customer's retail electric supplier. Our transmission rates are subject to regulation by the FERC under the Federal Power Act.

Ohio law establishes the process for determining SSO and non-bypassable rates charged by public utilities. Regulation of retail rates encompasses the timing of applications, the effective date of rate changes, the cost basis upon which the rates are set and other service-related matters. Ohio law also established the Office of the Ohio Consumers' Counsel, which has the authority to represent residential consumers in state and federal judicial and administrative rate proceedings.

Competition and Regulation

Ohio Matters

Ohio Retail Rates

We filed an amended stipulation to our 2017 ESP case on March 13, 2017. The PUCO issued a final decision on October 20, 2017, modifying and adopting the amended stipulation and recommendation. The six-year 2017 ESP establishes our framework for providing retail service on a going-forward basis including rate structures, non-bypassable charges and other specific rate recovery true-up rider mechanisms.

On September 26, 2018, the PUCO issued the DRO establishing new base distribution rates which became effective October 1, 2018. The DRO approved, without modification, a stipulation and recommendation we previously filed, along with various intervening parties and the PUCO staff. The DRO established a revenue requirement of $248.0 million for our electric service base distribution rates which reflects an increase to distribution revenues of approximately $29.8 million per year. In addition to the increase in base distribution rates, among other matters, the DRO also provides for a return on equity of 9.999% and a cost of long-term debt of 4.8%. For more information regarding our ESP and DRO, see Note 3 of the notes to our financial statements incorporated by reference from our Form 10-K.

In December 2018, we filed a Distribution Modernization Plan ("DMP") with the PUCO proposing to invest $576.0 million in capital projects over the next 10 years. There are eight principal components of our DMP: 1) Smart Meters, 2) Self-Healing Grid, 3) Customer Engagement, 4) Enhancing Sustainability and Embracing Innovation, 5) Telecommunications, 6) Physical and Cyber Security, 7) Governance and Analytics, and 8) Grid Modernization R&D.

These initiatives will also allow us to be ready to leverage and integrate Distributed Energy Resources into its grid, including demonstrations of community solar, energy storage, microgrids, as well as Electric Vehicle charging infrastructure. If approved, we will implement a comprehensive grid modernization project that will deliver benefits to customers, society as a whole and to the Company.

On January 22, 2019, we filed a request with the PUCO for a two-year extension of our distribution modernization rider ("DMR") through October 2022, in the proposed amount of $199.0 million for each of the two additional years. The request was made pursuant to the PUCO's October 20, 2017 ESP order, which approved the DMR and granted us the option to file for a two-year extension. The extension request was set at a level expected to reduce debt obligations and to position us to make capital expenditures to maintain and modernize our electric grid. To that end, our DMP investments are contingent upon the PUCO approving the two-year extension of our DMR. See Note 3 of the notes to our financial statements incorporated by reference from our Form 10-Q.

Ohio law and the PUCO rules contain targets relating to renewable energy, peak demand reduction and energy efficiency standards. If any targets are not met, compliance penalties will apply unless the PUCO makes certain findings that would excuse performance. We are in full compliance with energy efficiency, peak demand reduction and renewable energy targets. We are required to file an energy efficiency portfolio plan to demonstrate how we plan to meet the standards. On June 15, 2017, we filed an energy efficiency portfolio plan for programs in years 2018 through 2020, which was settled and approved by the PUCO on December 20, 2017. We recover the costs of its compliance with Ohio energy efficiency and renewable energy standards through separate riders which are reviewed and audited by the PUCO.

The rates associated with providing transmission service and wholesale electric sales and ancillary services are subject to FERC jurisdiction. While we have market-based rate authority for wholesale electric sales, we would be required to file an application at FERC under section 205 of the Federal Power Act, 15 U.S.C. section 824d, to change any of its cost-based transmission or ancillary service rates.

As a member of PJM, we receive revenues from the RTO related to our transmission assets and incurs costs associated with its load obligations for retail customers. Ohio law includes a provision that would allow Ohio electric utilities to seek and obtain a reconcilable rider to recover RTO-related costs and credits. We continue to recover non-market-based transmission and ancillary costs through our transmission rider.

We are subject to a significantly excessive earnings test ("SEET") threshold and are required to apply general rules for calculating earnings and comparing them to a comparable group to determine whether there were significantly excessive earnings during a given calendar year. In future years, the SEET could have a material effect on results of operations, financial condition and cash flows. See Note 3 of the notes to our financial statements incorporated by reference from our Form 10-K.

Ohio Competitive Considerations and Proceedings

Since January 2001, our electric customers have been permitted to choose their retail electric generation supplier. We continue to have the exclusive right to provide delivery service in our state-certified territory and the obligation to procure and provide electricity to SSO customers that do not choose an alternative supplier. The PUCO maintains jurisdiction over our delivery of electricity, SSO and other retail electric services.

As part of Ohio's electric deregulation law, all of the state's investor-owned utilities were required to join an RTO. We are a member of the PJM RTO. The role of the RTO is to administer a competitive wholesale market for electricity and ensure reliability of the transmission grid. PJM ensures the reliability of the high-voltage electric power system serving more than 50 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region's transmission grid, administers the world's largest competitive wholesale electricity market and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion.

Environmental Matters

Our facilities and operations are subject to a wide range of federal, state and local environmental laws, rules and regulations. The environmental issues that may affect us include the following. However, as described further below, as a result of DP&L transferring its generation assets to a subsidiary of DPL in 2017 and DPL's decision to retire the Stuart and Killen generating stations, the sale of DPL's ownership interest in the Miami Fort and Zimmer generating stations and the planned 2020 retirement of Conesville, certain of these environmental regulations and laws are now not expected to have a material impact on us:

- The federal Clean Air Act ("CAA") and state laws and regulations (including state implementation plans (each, a "SIP")) which require compliance, obtaining permits and reporting as to air emissions;
- Litigation with federal and certain state governments and certain special interest groups regarding whether modifications to or maintenance of certain coal-fired generating stations require additional permitting or pollution control technology, or whether emissions from coal-fired generating stations cause or contribute to global climate change;
- Rules and future rules issued by the USEPA, the Ohio Environmental Protection Agency (the "Ohio EPA") or other authorities that require or will require substantial reductions in SO_2, particulates, mercury, acid gases, NOx, and other air emissions;
- Rules and future rules issued by the USEPA, the Ohio EPA or other authorities that require or will require reporting and reductions of GHGs;

- Rules and future rules issued by the USEPA, the Ohio EPA or other authorities associated with the federal Clean Water Act, which prohibits the discharge of pollutants into waters of the United States except pursuant to appropriate permits and regulates the design and operation of cooling water intake structures for power plants and other industrial facilities; and
- Solid and hazardous waste laws and regulations, which govern the management and disposal of certain waste.

In addition to imposing continuing compliance obligations, these laws, rules and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. In the normal course of business, we have investigatory and remedial activities underway at our facilities to comply, or to determine compliance, with such laws, rules and regulations. We record liabilities for loss contingencies related to environmental matters when the chance of a loss occurring is probable and can be reasonably estimated in accordance with the provisions of GAAP. Accordingly, we have immaterial accruals for loss contingencies for environmental matters. We also have a number of environmental matters for which we have not accrued loss contingencies because the risk of loss is not probable, or a loss cannot be reasonably estimated. We evaluate the potential liability related to environmental matters quarterly and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material adverse effect on our results of operations, financial condition or cash flows. See Note 11 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 9 of the notes to our financial statements incorporated by reference from our Form 10-Q for more information regarding environmental risks, laws and regulations and legal proceedings to which we are and may be subject to in the future.

In response to Executive Orders from the U.S. President, the USEPA is currently evaluating various existing regulations to be considered for repeal, replacement, or modification. We cannot predict at this time the likely outcome of the USEPA's review of these or other existing regulations or what impact it may have on our business.

We have several pending environmental matters associated with our current and previously owned and operated coal-fired generation units. Some of these matters could have material adverse impacts on our results of operations, financial condition or cash flows.

Environmental Matters Related to Air Quality

As a result of our transfer of our generation assets to a subsidiary of DPL in 2017, DPL's decision to retire the Stuart and Killen generating stations, the sale of DPL's ownership interest in the Miami Fort and Zimmer generating stations and the planned 2020 retirement of Conesville, the following environmental matters, regulations and requirements are now not expected to have a material impact on us:

- The CAA and the following regulations:
  - The Cross-State Air Pollution Rule and associated updates;
  - Mercury and Air Toxic Standards and any associated regulatory or judicial processes;
  - National Ambient Air Quality Standards; and
  - The Clean Power Plan, the USEPA's final CO_2 emission rules for existing power plants under CAA Section 111(d) or a potential replacement rule, for example, the Affordable Clean Energy Rule.

Notices of Violation Involving Co-Owned Units

In June 2000, the USEPA issued a notice of violation ("NOV") to the then DP&L-operated Stuart generating station (co-owned by AES Ohio Generation, LLC, Dynegy, Inc. and AEP Generation Resources, Inc.)

for alleged violations of the CAA. The NOV contained allegations consistent with NOVs and complaints that the USEPA had brought against numerous other coal-fired utilities in the Midwest. The NOV indicated the USEPA may: (1) issue an order requiring compliance with the requirements of the Ohio SIP; or (2) bring a civil action seeking injunctive relief and civil penalties of up to $27,500 per day for each violation. To date, neither action has been taken. We cannot predict the outcome of this matter.

On September 9, 2011, DP&L received an NOV from the USEPA with respect to its then co-owned Stuart generating station based on a compliance evaluation inspection conducted by the USEPA and the Ohio EPA in 2009. The notice alleged non-compliance by DP&L with certain provisions of the Resource Conservation and Recovery Act ("RCRA"), the U.S. Clean Water Act ("CWA") National Pollutant Discharge Elimination System ("NPDES") permit program and the station's storm water pollution prevention plan. The notice requested that DP&L respond with the actions it has subsequently taken or plans to take to remedy the USEPA's findings and ensure that further violations will not occur. Based on its review of the findings, although there can be no assurance, we believe that the notice will not result in any material effect on our results of operations, financial condition or cash flows.

In January 2015, we received NOVs from the USEPA alleging violations in opacity at the Stuart and Killen generating stations in 2014. On February 15, 2017, the USEPA issued an NOV alleging violations in opacity at the Stuart generation station in 2016. Operations at both Stuart and Killen have ceased. However, we are currently unable to predict the outcome of these matters.

Notices of Violation Involving Wholly-Owned Stations

On November 18, 2009, the USEPA issued an NOV for alleged New Source Review, a preconstruction program regulating new or significantly modified sources of air pollution ("NSR"), violations of the CAA at the Hutchings energy generating unit, which was closed in 2013, relating to capital projects performed in 2001 involving Unit 3 and Unit 6. We do not believe that the two projects described in the NOV were modifications subject to NSR. We cannot predict the outcome of this matter.

Environmental Matters Related to Water Quality, Waste Disposal and Ash Ponds

As a result of DP&L transferring its generation assets to a subsidiary of DPL in 2017, DPL's decision to retire the Stuart and Killen generating stations, the sale of DPL's ownership interest in the Miami Fort and Zimmer generating stations and the planned 2020 retirement of Conesville, the following environmental matters, regulations and requirements are now not expected to have a material impact on us with respect to these generating stations (although certain of these requirements related to water quality, waste disposal and CCR are discussed further below):

- water intake regulations, including those finalized by the USEPA on May 19, 2014;
- the appeal of the NPDES permit governing the discharge of water from the Stuart generation station; and
- revised technology-based regulations governing water discharges from steam electric generating facilities, finalized by the USEPA on November 3, 2015 and commonly referred to as the Steam Electric Power Effluent Limitations Guidelines rules (the "ELG rule").

Clean Water Act—Regulation of Water Discharge

On January 7, 2013, the Ohio EPA issued a final NPDES permit to the Stuart generating station which included a compliance schedule for performing a study to justify an alternate thermal limitation or take undefined measures to meet certain temperature limits. On February 1, 2013, we appealed various aspects of the final permit to the Environmental Review Appeals Commission. As a result of DPL's decision to retire the Stuart generating station we do not expect this to have a material impact on us.

On November 3, 2015, the USEPA finalized revised technology-based regulations governing water discharges from steam electric generating facilities, commonly referred to as the ELG rule. On April 12, 2019, the U.S. Court of Appeals for the Fifth Circuit vacated and remanded portions of the USEPA's 2015 ELG Rule related to legacy wastewaters and combustion residual leachate. It is too early to determine whether any outcome of this decision might have a material impact on our business, financial condition and results of operations.

Clean Water Act rules for Selenium

On July 13, 2016, the USEPA published the final updated chronic aquatic life criterion for the pollutant selenium in freshwater per section 304(a) of the CWA. The rule will be implemented after state rulemaking occurs, and requirements will be incorporated into NPDES permits with compliance schedules in some cases. It is too early in the rulemaking process to determine the impact, if any, on our operations, financial position or results of operations.

Regulation of Waste Disposal

In 2002, we and other parties received a special notice that the USEPA considered us to be a potentially responsible party ("PRP") for the clean-up of hazardous substances at a third-party landfill known as the South Dayton Dump ("Landfill"). Several of the parties voluntarily accepted some of the responsibility for contamination at the Landfill and, in May 2010, three of those parties, Hobart Corporation, Kelsey-Hayes Company, and NCR Corporation ("PRP Group"), filed a civil complaint in Ohio federal court (the "District Court") against us and numerous other defendants, alleging that the defendants contributed to the contamination at the Landfill and were liable for contribution to the PRP Group for costs associated with the investigation and remediation of the site.

While we were able to get the initial case dismissed, the PRP Group subsequently, in 2013, entered into an additional Administrative Settlement Agreement and Order on Consent ("ASAOC") with the USEPA relating to vapor intrusion and again filed suit against us and other defendants. Trial for that issue was scheduled to be held in 2019, but the District Court recently vacated that trial date and it is unknown when it will be rescheduled. Plaintiffs also attempted to add an additional ASAOC they entered into in 2016 pertaining to the investigation and remediation of all hazardous substances present in the Landfill – potentially including undefined areas outside the original dump footprint – to the vapor intrusion trial proceeding. The District Court allowed the claim to be added to the litigation but ruled that the 2016 ASAOC could not be adjudicated until after completion of the remedial investigation feasibility study, which is expected to be complete years after the 2019 vapor intrusion trial. While we are unable to predict the outcome of these matters, if we were required to contribute to the clean-up of the site, it could have a material adverse effect on our business, financial condition or results of operations.

Regulation of CCR

On October 19, 2015, a USEPA rule regulating CCR under the RCRA as nonhazardous solid waste became effective. The rule established nationally applicable minimum criteria for the disposal of CCR in new and currently operating landfills and surface impoundments, including location restrictions, design and operating criteria, groundwater monitoring, corrective action and closure requirements and post-closure care. The primary enforcement mechanisms under this regulation would be actions commenced by the states and private lawsuits. On December 16, 2016, President Obama signed into law the WIIN Act, which includes provisions to implement the CCR rule through a state permitting program, or if the state chooses not to participate, a possible federal permit program. The USEPA has indicated that they will implement a phased approach to amending the CCR rule.

On September 13, 2017, the USEPA indicated that it would reconsider certain provisions of the CCR rule in response to two petitions it received to reconsider the final rule. It is too early to determine whether the CCR rule or any reconsideration of the rule may have a material impact on our business, financial condition or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of DP&L should be read in conjunction with the financial statements and the related notes thereto incorporated by reference in this offering memorandum. This discussion contains forward-looking statements that involve risk and uncertainties. Factors that could cause or contribute to such differences include, but are not limited to, those identified under the sections entitled "Risk Factors" and "Forward-Looking Statements" contained elsewhere in this offering memorandum and in our Form 10-K and those identified under the section entitled "Forward-Looking Statements" in our Form 10-Q..

Executive Overview

The most important matters on which we focus in evaluating our financial condition and operating performance and allocating our resources include: (i) recurring factors which have significant impacts on operating performance such as: regulatory action, environmental matters, weather-related damage in our service area, and the local economy; (ii) our progress on performance-improvement strategies designed to maintain high standards in several operating areas (including safety, operations, financial and enterprise-wide performance, talent management/people, capital allocation/sustainability and corporate social responsibility) simultaneously; and (iii) our short-term and long-term financial and operating strategies. For a discussion of how we are impacted by regulation and environmental matters, see "Business—Competition and Regulation" and "Business—Environmental Matters."

Results of Operations

Income Statement Highlights

Our income from continuing operations before income tax for the three months ended March 31, 2019 increased by $15.8 million, from pre-tax income of $19.3 million for the three months ended March 31, 2018 to pre-tax income of $35.1 million for the three months ended March 31, 2019, primarily due to factors including, but not limited to:

	Three months ended March 31, 2019 vs. 2018
	$ in millions
Higher rates due to the DRO, including the decoupling rider	$ 5.6
Increase due to the loss on transfer of the Beckjord facility in the first quarter of 2018	12.4
Increase due to lower interest expense from debt payments made in 2018	1.1
Decrease due to higher maintenance of overhead transmission and distribution lines	(2.7)
Other	(0.6)
Net change in income before income tax	$15.8

Statement of Operations Highlights

	Three months ended March 31, 2019	2018
	$ in millions	
Revenues:		
Retail	$183.4	$170.4
Wholesale	5.0	12.6
RTO revenue	10.9	11.1
RTO capacity revenues	2.1	1.9
Total revenues	201.4	196.0
Cost of revenues:		
Net fuel cost	0.9	0.9
Purchased power:		
Purchased power	66.1	65.5
RTO charges	7.2	17.0
RTO capacity charges	—	1.3
Net purchased power cost	73.3	83.8
Total cost of revenues	74.2	84.7
Gross margin	127.2	111.3
Operating expenses:		
Operation and maintenance	48.2	32.2
Depreciation and amortization	18.0	18.6
General taxes	19.4	19.3
Loss on disposal of business	—	12.4
Total operating expenses	85.6	82.5
Operating income	41.6	28.8
Other income /(expense), net		
Interest expense	(7.1)	(8.2)
Charge for early redemption of debt	—	(0.5)
Other expense	0.6	(0.8)
Total other expense, net	(6.5)	(9.5)
Income before tax[1]	$ 35.1	$ 19.3

(1) For purposes of discussing operating results, we present and discuss income before income tax. This format is useful to investors because it allows analysis and comparability of operating trends and includes the same information that is used by management to make decisions regarding our financial performance.

Our electric sales and billed customers were as follows:

	Electric Sales and Customers[1]	
	Three months ended March 31,	
	2019	2018
Retail electric sales[2]	3,670	3,608
Wholesale electric sales[3]	160	271
Total electric sales	3,830	3,879
Billed electric customers (end of period)	525,957	523,280

(1) Electric sales are presented in millions of KWh.
(2) Our retail electric sales represent the total transmission and distribution retail sales for the periods presented. SSO sales were 1,109 KWh for the three months ended March 31, 2019 and 1,039 KWh for the three months ended March 31, 2018.
(3) Included within wholesale electric sales is our 4.9% share of the generation output of OVEC.

Revenues

During the three months ended March 31, 2019, revenue increased $5.4 million to $201.4 million compared to $196.0 million in the same period of the prior year. This change was primarily the result of changes in the components of revenue shown below:

	Three months ended March 31, 2019 vs. 2018
	$ in millions
Retail	
Rate	
Increase in energy efficiency and Universal Service Fund ("USF") revenue rate riders	$11.4
Increase in base distribution rates due to the DRO	8.0
Increase due to the Distribution Investment Rider, which was effective with the DRO	6.2
Decrease in the TCRR as we pass back the benefits of the PJM Transmission Enhancement Settlement to customers	(7.9)
Other	0.5
Net change in retail rate	18.2
Volume	
Decrease in volume is primarily due to demand in the prior year. The decoupling rider approved in the DRO became effective January 1, 2019 and is designed to eliminate the impacts of weather and demand on our residential and commercial customers, resulting in less of a demand impact in the current year	(5.4)
Other miscellaneous	0.2
Total retail change	13.0
Wholesale	
Wholesale revenues	
Decreases in volume due to no longer serving the load of certain other parties through their competitive bid process and lower wholesale prices	(7.6)
Net change in Revenues	$ 5.4

Cost of Revenues

During the three months ended March 31, 2019, cost of revenues decreased $10.5 million to $74.2 million compared to $84.7 million in the same period of the prior year. This change was primarily the result of changes in the components of cost of revenues shown below:

	Three months ended March 31, 2019 vs. 2018
	$ millions
Purchased power	
Rate	
Variance driven by pricing in the competitive bid process	$ 6.0
Volume	
Decrease due to lower purchases as DP&L is no longer serving the load of certain other parties through their competitive bid process	(5.4)
Total purchased power change	0.6
RTO charges	(1.6)
Decrease due to lower transmission and congestion charges, including a $7.0 million decrease due to benefits of the PJM Transmission Enhancement Settlement. RTO charges are incurred by DP&L as a member of PJM and primarily include transmission charges within our network, which are incurred and charged to customers in the transmission rider	(9.8)
RTO capacity charges	(1.3)
Net change in Cost of Revenues	$(10.5)

Operation and Maintenance

During the three months ended March 31, 2019, Operation and Maintenance expense increased $16.0 million compared to the same period in the prior year. The main drivers of this change are as follows:

	Three months ended March 31, 2019 vs. 2018
	$ in millions
Increase in alternative energy and energy efficiency programs[(a)]	$ 6.5
Increase in uncollectible expenses for the low-income payment program, which is funded by the USF revenue rate rider[(a)]	4.4
Increase in maintenance of overhead transmission and distribution lines	2.7
Other, net	2.4
Net change in Operations and Maintenance expense	$16.0

(a) There is corresponding offset in revenues associated with these programs.

Loss on Disposal of Business

During the three months ended March 31, 2018, we recorded a loss on disposal of business of $12.4 million due to the loss on the transfer of business interests in the Beckjord facility.

Interest Expense

During the three months ended March 31, 2019, interest expense decreased $1.1 million compared to the same period in the prior year. The decrease was primarily the result of debt repayments in 2018.

Income Tax Expense

During the three months ended March 31, 2019, income tax expense increased $2.5 million compared to the same period in the prior year primarily due to higher pre-tax income in the current year versus the prior year.

Key Trends and Uncertainties

Following the issuance of the DRO in September 2018 and the resulting changes to the decoupling rider effective January 1, 2019, we expect that our financial results will no longer be driven by retail demand and weather but will be impacted by customer growth within our service territory. See further discussion on these changes in Note 3 of the notes to our financial statements incorporated by reference from our Form 10-K. In addition, our financial results are likely to be driven by other factors including, but not limited to:

- regulatory outcomes;
- the passage of new legislation, implementation of regulations or other changes in regulations; and
- timely recovery of transmission and distribution expenditures.

Macroeconomic and Political

United States Tax Law Reform

In December 2017, the U.S. federal government enacted the Tax Cuts and Jobs Act of 2017 ("TCJA"). The legislation significantly revised the U.S. corporate income tax system by, among other things, lowering corporate income tax rates and introducing new limitations on interest expense deductions beginning in 2018. These changes will materially impact our effective tax rate in future periods. Specific provisions of the TCJA and their potential impacts on the Company are noted below. Our interpretation of the TCJA may change as the U.S. Treasury and the Internal Revenue Service issue additional guidance. Such changes may be material.

- *Lower Tax Rate*—The corporate tax rate decreased from 35 percent to 21 percent beginning in 2018. In addition to deferred tax remeasurement impacts, the lower tax rate resulted in the recognition, at December 31, 2017, of a regulatory liability. The regulatory liability reflects deferred taxes that will flow back to ratepayers over time. For further details, see Note 3 and Note 8 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 3 and Note 7 of the notes to our financial statements incorporated by reference from our Form 10-Q.
- *SAB 118*—As further explained in Note 8 of the notes to our financial statements incorporated by reference from our Form 10-K, we have concluded our analysis of the implementation impacts of the TCJA and included adjustments to our previous estimates in accordance with the guidance of SAB 118.
- *Limitation on Interest Expense Deductions*—The TCJA introduced a new limitation on the deductibility of net interest expense beginning January 1, 2018. The deduction is limited to interest income, plus 30 percent of tax basis EBITDA through 2021 (30 percent of EBIT beginning January 1, 2022). This determination is made at the consolidated group level. The limitation does not apply to interest expense attributable to regulated utility property. The U.S. Treasury Department and Internal Revenue Service have released proposed regulations to clarify how the exception will apply to regulated utility holding companies. These proposed regulations are prospective. We have not adopted them for 2018.
- *Cost Recovery*—The TCJA amended depreciation rules to provide full expensing (100% bonus depreciation) for assets that commence construction and are placed in service before January 1, 2023.

This provision is phased down by 20 percent ratably through 2027. The immediate full expensing provision is elective, but it does not apply to regulated utility property. This change is not expected to impact our effective tax rate; however, if elected, it could impact taxable income and cash taxes in future periods.

- *State Taxes*—The reactions of the individual states to federal tax reform is still evolving. These state and municipalities will assess whether and how the federal changes will be incorporated into their tax legislation.

On January 10, 2018, the PUCO initiated a proceeding to consider the impacts of the TCJA to determine the appropriate course of action to pass benefits resulting from the legislation on to ratepayers. The PUCO also directed Ohio utilities to record deferred liabilities for the estimated reduction in federal income tax resulting from the TCJA beginning January 1, 2018. Under the terms of the ESP, we will not make tax sharing payments and if our rates are reduced as a result of the TCJA, our cash flows could be adversely affected. See Note 8 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 7 of the notes to our financial statements incorporated by reference from our Form 10-Q.

LIBOR Phase Out

In July 2017, the U.K. Financial Conduct Authority announced the phase out of LIBOR by the end of 2021. The Alternative Reference Rate Committee within the Federal Reserve is responsible for the transition from LIBOR to a new benchmark replacement rate. While we maintain financial instruments that use LIBOR as an interest rate benchmark, the full impact of the phase out is uncertain until a new replacement benchmark is determined and implementation plans are more fully developed.

Regulatory Environment

In December 2018, we filed a Distribution Modernization Plan ("DMP") with the PUCO proposing to invest $576.0 million in capital projects over the next 10 years. There are eight principal components of our DMP: 1) Smart Meters, 2) Self-Healing Grid, 3) Customer Engagement, 4) Enhancing Sustainability and Embracing Innovation, 5) Telecommunications, 6) Physical and Cyber Security, 7) Governance and Analytics and 8) Grid Modernization R&D.

On January 22, 2019, we filed a request with the PUCO for a two-year extension of our DMR through October 2022, in the proposed amount of $199.0 million for each of the two additional years. The request was made pursuant to the PUCO's October 20, 2017 ESP order, which approved the DMR and granted us the option to file for a two-year extension. The extension request was set at a level expected to reduce debt obligations and to position us to make capital expenditures to maintain and modernize our electric grid. To that end, our DMP investments are contingent upon the PUCO approving the two-year extension of its DMR.

For more information regarding our ESP, see Note 3 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 3 of the notes to our financial statements incorporated by reference from our Form 10-Q.

Capital Resources and Liquidity

Cash, cash equivalents and restricted cash was $18.8 million at March 31, 2019. At that date, we did not have short-term investments. We had aggregate principal amounts of debt outstanding of $592.6 million at March 31, 2019.

Approximately $4.6 million of our debt matures within the next twelve months, which we expect to repay using a combination of cash on hand, net cash provided by operating activities and/or net proceeds from the issuance of new debt. From time to time, we may elect to repurchase our outstanding debt through cash purchases, privately negotiated transactions or otherwise when management believes such repurchases are favorable to make. The amounts involved in any such repurchases may be material.

We depend on timely and continued access to capital markets to manage our liquidity needs. The inability to raise capital on favorable terms, to refinance existing indebtedness or to fund operations and other commitments during times of political or economic uncertainty could have material adverse effects on our financial condition and results of operations. In addition, changes in the timing of tariff increases or delays in the regulatory determinations could affect the cash flows and results of operations of our business.

We must first seek approval from the PUCO to issue new stocks, bonds, notes, and other evidences of indebtedness. Annually, we must receive authority to issue and assume liability on short-term debt, not to exceed 12 months, pursuant to Section 4905.401 of the Ohio Revised Code. We received an order from the PUCO granting authority through December 31, 2019 to, among other things, issue up to $300.0 million in aggregate principal amount of short-term indebtedness. We must also receive authority to issue and assume liability on long-term debt, in excess of 12 months, pursuant to Section 4905.40 of the Ohio Revised Code. We last received approval in 2016 to, among other things, issue up to $455.0 million in aggregate principal amount of long-term indebtedness for a term not to exceed 30 years at an interest rate not to exceed 6.60%. We also have restrictions on the amount of new debt that may be issued due to contractual obligations of AES and by financial covenant restrictions under existing debt obligations. We do not believe such restrictions will be a limiting factor in our ability to issue debt in the ordinary course of prudent business operations. In May 2019, we received approval to, among other things, issue up to $425 million in aggregate principal amount of long-term indebtedness for a term not to exceed 40 years at an interest rate not to exceed 5.75%. We also have restrictions on the amount of new debt that may be issued due to contractual obligations of AES and by financial covenant restrictions under existing debt obligations. We do not believe such restrictions will be a limiting factor in our ability to issue debt in the ordinary course of prudent business operations.

Cash Flows

The following table summarizes our cash flows:

	Three months ended March 31,	
	2019	**2018**
	$ in millions	
Net cash provided by operating activities	$ 29.5	$ 30.6
Net cash used in investing activities	(33.7)	(39.4)
Net cash provided by / (used in) financing activities	(1.2)	5.1
Net change	(5.4)	(3.7)
Balance at beginning of period	66.2	5.6
Cash, cash equivalents, and restricted cash at end of period	$ 60.8	$ 1.9

Net Cash from Operating Activities

	Three months ended March 31, 2019	2018	$ change 2019 vs. 2018
Net income	$ 29.0	$ 15.7	$ 13.3
Depreciation and amortization	18.0	18.6	(0.6)
Other adjustments to Net income	(0.9)	16.5	(17.4)
Net income, adjusted for non-cash items	46.1	50.8	(4.7)
Net change in operating assets and liabilities	(16.6)	(20.2)	3.6
Net cash provided by operating activities	$ 29.5	$ 30.6	$ (1.1)

The net change in operating assets and liabilities during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was driven by the following:

	$ change $ in millions
Decrease from accounts payable primarily due to timing of payments	$(20.4)
Increase from deferred regulatory costs, net, due to higher collections on regulatory assets and liabilities	9.8
Increase from accrued taxes is primarily due to higher current portion of income tax expense in 2019	8.9
Increase from customer security deposits is primarily due to current year deposits for collateral in the DP&L SSO auction	7.1
Other	(1.8)
Net change in cash from changes in operating assets and liabilities	$ 3.6

Net cash from investing activities

Net cash used in investing activities was $(33.7) million for the three months ended March 31, 2019 compared to $(39.4) million for the three months ended March 31, 2018. The three months ended March 31, 2019 investing activity represents capital expenditures of $33.7 million. The three months ended March 31, 2018 investing activity is primarily capital expenditures of $24.6 million and a payment on the disposal of Beckjord of $14.5 million.

Net cash from financing activities

Net cash provided by / (used in) financing activities was $(1.2) million for the three months ended March 31, 2019 compared to $5.1 million from financing activities for the three months ended March 31, 2018. The three months ended March 31, 2019 financing activity is primarily a $1.1 million quarterly term loan payment. The three months ended March 31, 2018 financing activity is primarily driven by a $80.0 million capital contribution from DPL and net revolving credit facility borrowings of $10.0 million. This was partially offset by $61.1 million of payments on long-term debt, primarily relating to a $60.0 million repayment on the Term Loan B Credit Agreement, and returns of capital paid to parent of $23.8 million.

Liquidity

We expect our existing sources of liquidity to remain sufficient to meet our anticipated operating needs. Our business is capital intensive, requiring significant resources to fund operating expenses, construction expenditures, scheduled debt maturities, debt carrying costs and dividend payments. In 2019 and subsequent years, we expect to satisfy these requirements with a combination of cash from operations and funds from debt financing as internal liquidity needs and market conditions warrant. We also expect that the borrowing capacity under bank credit facilities will continue to be available to us to manage working capital requirements during these periods. See Note 3 of the notes to our financial statements incorporated by reference from our Form 10-K.

At March 31, 2019, we have access to the following revolving credit facilities:

	Type	Maturity	Commitment	Amounts available as of March 31, 2019
			$ in millions	
DP&L	Revolving	July 2020	175.0	173.9

We have an unsecured revolving credit agreement with a syndicated bank group with a borrowing limit of $175.0 million and a $50.0 million letter of credit sublimit, as well as a feature that provides us the ability to increase the size of the facility by an additional $100.0 million. This facility expires in July 2020. At March 31, 2019, there was one letter of credit in the amount of $1.1 million outstanding under this facility, and no borrowings, with the remaining $173.9 million available to DP&L. Fees associated with this letter of credit facility were not material during the three months ended March 31, 2019 or 2018.

Capital Requirements

Construction Additions

	Actual			Projected		
	2016	2017	2018	2019	2020	2021
			$ in millions			
DP&L	$88	$83	$82	$140	$221	$260

Capital projects are subject to continuing review and are revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental laws, rules and regulations, among other factors.

Our 2017 ESP provided for a DMR to pay debt obligations and position us to modernize and/or maintain our transmission and distribution infrastructure. On January 22, 2019, we filed a request with the PUCO for a two-year extension of our DMR through October 2022, in the proposed amount of $199.0 million for each of the two additional years. The request was made pursuant to the PUCO's October 20, 2017 ESP order, which approved the DMR and granted us the option to file for a two-year extension. The extension request was set at a level expected to reduce debt obligations and to position us to make capital expenditures to maintain and modernize our electric grid. To that end, our DMP investments are contingent upon the PUCO approving the two-year extension of our DMR.

We are subject to the mandatory reliability standards of the NERC and Reliability First Corporation, one of the eight NERC regions, of which we are a member. The NERC has recently changed the definition of the Bulk Electric System to include 100 kilovolts ("kV") and above facilities, thus expanding the facilities to which the reliability standards apply. DP&L's 138 kV facilities were previously not subject to these reliability standards. Accordingly, we anticipate spending approximately $221.0 million within the next five years to reinforce our 138-kV system to comply with these new NERC standards. Our ability to complete capital projects and the reliability of future service will be affected by our financial condition, the availability of internal funds and the reasonable cost of external funds. We expect to finance our construction additions with a combination of cash on hand, short-term financing, long-term debt and cash flows from operations.

Debt Covenants

For information regarding our long-term debt covenants, Note 7 of the notes to our financial statements incorporated by reference from our Form 10-K.

Credit Ratings

The following table outlines our debt ratings and outlook, along with the effective or affirmed date of each rating.

	DP&L	Outlook	Effective or Affirmed
Fitch Ratings	A-[(a)]	Stable	October 2018
Moody's Investors Service, Inc.	A3[(a)]	Positive	October 2018
Standard & Poor's Financial Services LLC	BBB+[(a)]	Stable	March 2018

(a) Rating relates to our senior secured debt.

The following table outlines our credit ratings and outlook, along with the effective or affirmed date of each rating.

	DP&L	Outlook	Effective or Affirmed
Fitch Ratings	BBB	Stable	October 2018
Moody's Investors Service, Inc.	Baa2	Positive	October 2018
Standard & Poor's Financial Services LLC	BBB-	Stable	March 2018

(a) Rating relates to our senior secured debt.

If the rating agencies were to reduce our debt or credit ratings, our borrowing costs may increase, our potential pool of investors and funding resources may be reduced and we may be required to post additional collateral under certain contracts. These events may have an adverse effect on our results of operations, financial condition and cash flows. In addition, any such reduction in our debt or credit ratings may adversely affect the trading price of our outstanding debt securities. Non-investment grade companies may experience higher costs to issue new securities.

Off-Balance Sheet Arrangements

For information on guarantees, commercial commitments, and contractual obligations, see Note 11 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 9 of the notes to our financial statements incorporated by reference from our Form 10-Q.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, our management is required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on our historical experience and assumptions that we believe to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain. Our significant accounting policies are described in Note 1 of the notes to our financial statements incorporated by reference from our Form 10-K.

Different estimates could have a material effect on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Historically, however, recorded estimates have not differed materially from actual results. Significant items subject to such judgments include: the carrying value of property, plant and equipment; unbilled revenues; the valuation of allowances for deferred income taxes; regulatory assets and liabilities; reserves recorded for income tax exposures; litigation; contingencies; the valuation of asset retirement obligations ("AROs"); and assets and liabilities related to employee benefits.

Revenue Recognition (including Unbilled Revenue)

Revenue is primarily earned from retail and wholesale electricity sales and electricity transmission and distribution delivery services. Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue is recorded net of any taxes assessed on and collected from customers, which are remitted to the governmental authorities.

Income Taxes

We are subject to federal and state income taxes. Our income tax provision requires significant judgment and is based on calculations and assumptions that are subject to examination by the U.S. Internal Revenue Service and other tax authorities. We regularly assess the potential outcome of tax examinations when determining the adequacy of our income tax provisions by considering the technical merits of the filing position, case law, and results of previous tax examinations. Accounting guidance for uncertainty in income taxes prescribes a more-likely-than-not recognition threshold and measurement requirements for financial statement reporting of our income tax positions. Tax reserves have been established which we believe to be adequate in relation to the potential for additional assessments. Once established, reserves are adjusted only when there is more information available or when an event occurs necessitating a change to the reserves. While we believe that the amount of the tax reserves is reasonable, it is possible that the ultimate outcome of current or future examinations may be materially different than the reserve amounts.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities, and their respective income tax bases. We establish a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

Regulatory Assets and Liabilities

Application of the provisions of GAAP relating to regulatory accounting requires us to reflect the effect of rate regulation in our financial statements. For regulated businesses subject to federal or state cost-of-service rate regulation, regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by non-regulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, we defer these costs as regulatory assets that otherwise would be expensed by non-regulated companies. Likewise, we recognize regulatory liabilities when it is probable that regulators will require customer refunds through future rates and when revenue is collected from customers for expenses that are not yet incurred. Regulatory assets are amortized into expense and regulatory liabilities are amortized into income over the recovery period authorized by the regulator.

We evaluate our regulatory assets to determine whether or not they are probable of recovery through future rates and make various assumptions in our analyses. The expectations of future recovery are generally based on orders issued by regulatory commissions or historical experience, as well as discussions with applicable regulatory authorities. If recovery of a regulatory asset is determined to be less than probable, it will be expensed in the period the assessment is made. We currently believe the recovery of our regulatory assets is probable. See Note 3 of the notes to our financial statements incorporated by reference from our Form 10-K.

AROs

In accordance with the provisions of GAAP relating to the accounting for AROs, legal obligations associated with the retirement of long-lived assets are required to be recognized at their fair value at the time those obligations are incurred. Upon initial recognition of a legal liability, costs are capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. These GAAP provisions also require that components of previously recorded depreciation related to the cost of removal of assets upon future retirement, whether legal AROs or not, must be removed from a company's accumulated depreciation reserve and be reclassified as a regulatory liability. We make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities and expenses as they relate to AROs. These assumptions and estimates are based on historical experience and assumptions that we believe to be reasonable at the time. See Note 4 of the notes to our financial statements incorporated by reference from our Form 10-K.

Impairments

In accordance with the provisions of GAAP relating to the accounting for impairments, long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset group. Impairment losses on assets held-for-sale are recognized based on the fair value of the disposal group. We determine the fair value of these assets based upon estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. In analyzing the fair value and recoverability using future cash flows, we make projections based on a number of assumptions and estimates of growth rates, future economic conditions, assignment of discount rates and estimates of terminal values. An impairment loss is recognized if the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows. The measurement of impairment loss is the difference between the carrying amount and fair value of the asset.

Pension and Postretirement Benefits

We account for and disclose pension and postemployment benefits in accordance with the provisions of GAAP relating to the accounting for pension and other postemployment plans. These GAAP provisions require the use of assumptions, such as the discount rate for liabilities and long-term rate of return on assets, in determining the obligations, annual cost, and funding requirements of the plans. See Note 9 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 8 of the notes to our financial statements incorporated by reference from our Form 10-Q for more information.

Contingent and Other Obligations

During the conduct of our business, we are subject to a number of federal and state laws and regulations, as well as other factors and conditions that potentially subject us to environmental, litigation, insurance and other risks. We periodically evaluate our exposure to such risks and record estimated liabilities for those matters where the chance of a loss occurring is probable and can be reasonably estimated in accordance with GAAP. In recording such estimated liabilities, we may make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities and expenses as they relate to contingent and other obligations. These assumptions and estimates are based on historical experience and assumptions and may be subject to change. We believe such estimates and assumptions are reasonable.

Market Risk

We are subject to certain market risks including, but not limited to, changes in commodity prices for electricity and fluctuations in interest rates. We use various market risk-sensitive instruments, including derivative contracts, primarily to limit our exposure to fluctuations in interest rates. Our U.S. Risk Management Committee ("U.S. RMC"), comprised of members of senior management, is responsible for establishing risk management policies and the monitoring and reporting of risk exposures related to our operations. The U.S. RMC meets on a regular basis with the objective of identifying, assessing and quantifying material risk issues and developing strategies to manage these risks.

Purchased power costs

We conduct competitive bid auctions to purchase power for SSO service, as all of our SSO is sourced through the competitive bid auction.

As a result of DP&L's exit from the majority of its coal-fired generation, changes in the prices of fuel and purchased power are not expected to have a material impact on our results of operations, financial position or cash flows.

Interest rate risk

Because of our normal investing and borrowing activities, our financial results are exposed to fluctuations in interest rates, which we manage through our regular financing activities. We maintain both cash on deposit and investments in cash equivalents that may be affected by adverse interest rate fluctuations. We have both fixed-rate and variable rate long-term debt. On November 21, 2016, our $200.0 million variable-rate First Mortgage Bonds were hedged with floating for fixed interest rate swaps, reducing interest rate risk exposure for the term of the bonds. On January 1, 2018 the interest rate on these First Mortgage Bonds was adjusted and as a result the bonds are no longer fully hedged and are treated as variable. Market indexes can be affected by market demand, supply, market interest rates and other economic conditions. See Note 7 of the notes to our financial statements incorporated by reference from our Form 10-K and Note 6 of the notes to our financial statements incorporated by reference from our Form 10-Q.

Principal payments and interest rate detail by contractual maturity date

The principal value of our long-term debt was $592.6 million at March 31, 2019, consisting of tax-exempt First Mortgage Bonds, a U.S. government note and our Term Loan B Credit Agreement. The fair value of this long-term debt was $592.6 million based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table provides information about our debt obligations that are sensitive to interest rate changes.

	Payments due during the twelve months ending March 31,						At March 31, 2019	
$ in millions	2020	2021	2022	2023	2024	Thereafter	Principal Amount	Fair Value
Long-term debt								
Variable-rate debt	$4.5	$144.5	$4.4	$421.6	$—	$ —	$575.0	$575.0
Average interest rate[(a)]	4.5%	3.1%	4.5%	4.5%	— %	— %		
Fixed-rate debt	$0.1	$ 0.1	$0.2	$ 0.2	$ 0.2	$16.8	17.6	17.6
Average interest rate	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%		
Total							$592.6	$592.6

(a) Based on rates in effect at March 31, 2019.

Credit risk

Credit risk is the risk of an obligor's failure to meet the terms of any investment contract, loan agreement or otherwise perform as agreed. Credit risk arises from all activities in which success depends on issuer, borrower or counterparty performance, whether reflected on or off the balance sheet. We limit our credit risk by assessing the creditworthiness of potential counterparties before entering into transactions with them and continue to evaluate their creditworthiness after transactions have been originated. We use the three leading corporate credit rating agencies and other current market-based qualitative and quantitative data to assess the financial strength of counterparties on an ongoing basis. We may require various forms of credit assurance from counterparties to mitigate credit risk.

Legal and Other Matters

A discussion of litigation, environmental matters and competition and regulatory matters is described in "Business—Environmental Matters" and "Business—Competition and Regulation."

DESCRIPTION OF THE NEW BONDS

General

The new bonds are to be issued under the First and Refunding Mortgage, dated as of October 1, 1935, between us and The Bank of New York Mellon, as trustee (the "Trustee"), as amended and supplemented by all supplemental indentures prior to the date hereof and as amended and supplemented by a Fifty-Second Supplemental Indenture relating to the new bonds (collectively referred to as the "Mortgage").

The statements herein concerning the new bonds and the Mortgage are a summary and do not purport to be complete. The statements make use of defined terms and are qualified in their entirety by express reference to the definitions in, and the appropriate sections and articles of, the Mortgage, a copy of which will be made available upon request to the Trustee.

Maturity, Interest and Payment

The new bonds will mature on June 15, 2049, and will bear interest from the date of original issuance thereof at the rate per annum set forth in their title, payable semiannually on June 15 and December 15 of each year to bondholders of record at the close of business on the June 1 and December 1 immediately preceding the interest payment date, the first interest payment date being December 15, 2019. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months and for any period shorter than a full month, on the basis of the actual number of days elapsed. In the event that any date on which principal or interest is payable on the new bonds is not a business day, the payment of the principal or interest payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable. The term "business day" means any day, other than a Saturday or Sunday, or which is not a day on which banking institutions or trust companies in The City of New York are generally authorized or required by law, regulation or executive order to remain closed (or which is not a day on which the corporate trust office of the Trustee is closed for business). We have agreed to pay interest on any overdue principal and, if such payment is enforceable under applicable law, on any overdue installment of interest on the new bonds at the rate per annum set forth in its title.

The new bonds will be issued only in minimum denominations of $2,000 and integral multiples of $1,000. We will make principal, premium, if any, and interest payments on the new bonds, other than certificated new bonds, to Cede & Co. (as nominee of The Depository Trust Company ("DTC")) so long as Cede & Co. is the registered owner. Disbursement of such payments to DTC's participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the new bonds is the responsibility of DTC participants and indirect participants in DTC, all as described below under "—Book-Entry, Delivery and Form."

The new bonds will not have the benefit of any sinking fund.

Optional Redemption

Prior to December 15, 2048 (the date that is six months prior to the maturity date), we may redeem the new bonds at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the new bonds, at a redemption price, together with accrued and unpaid interest to the date of redemption, equal to the greater of:

- 100% of the principal amount of the new bonds being redeemed; or
- the sum of the present values of the principal amount of the new bonds to be redeemed and the remaining scheduled payments of interest on the new bonds from the redemption date to December 15, 2048 (the date that is six months prior to the maturity date), discounted from their respective scheduled payment dates to the redemption date semiannually, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the Treasury Yield plus 25 basis points.

On or after December 15, 2048 (the date that is six months prior to the maturity date), we may redeem the new bonds at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the new bonds, at a redemption price equal to 100% of the principal amount of the new bonds being redeemed, together with accrued and unpaid interest to the date of redemption.

"Treasury Yield" means, with respect to any redemption date, the annual rate equal to the semiannual equivalent yield to maturity (to December 15, 2048) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue expressed as a percentage of its principal amount equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States treasury security selected by an independent investment banker as having a maturity comparable to the remaining term (to December 15, 2048) of the new bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term (to December 15, 2048) of the new bonds.

"Comparable Treasury Price" means, with respect to any date of redemption:

- the average of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, on the third business day preceding the redemption date, as set forth in the daily statistical release published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities," or
- if this release is not published or does not contain such prices on the business day in question, the Reference Treasury Dealer Quotation for the redemption date.

"Quotation Agent" means the Reference Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to the Reference Treasury Dealer and redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue expressed in each case as a percentage of its principal amount and quoted in writing to us by the Reference Treasury Dealer at 5:00 p.m. on the third business day preceding the redemption date.

"Reference Treasury Dealer" means a primary United States government securities dealer in New York City (a "Primary Treasury Dealer") appointed by BofA Securities, Inc. or J.P. Morgan Securities LLC and their successors or any other Primary Treasury Dealer appointed by us.

Notice of redemption will be mailed by first class mail or electronically transmitted through the facilities of DTC at least 20 days before the redemption date to each holder of the new bonds to be redeemed at its registered address.

If fewer than all the new bonds are to be redeemed, selection of new bonds for redemption will be made by the trustee in the manner specified in the mortgage.

Unless we default in payment of the redemption price, from and after the date of redemption, the new bonds or portions thereof called for redemption will cease to bear interest, and the holders of the new bonds will have no right in respect of the new bonds except the right to receive the redemption price.

Notwithstanding the foregoing, upon the notice and in the manner and with the effect provided in the mortgage, the new bonds shall be redeemable by us prior to the maturity of the new bonds out of monies deposited with the trustee representing the proceeds of mortgaged and pledged property taken by the exercise of the power of eminent domain or otherwise as provided in the mortgage, at the principal amount of the new bonds to be redeemed and accrued interest to the date of redemption.

Priority and Security

The new bonds will rank equally and ratably with all other First Mortgage Bonds at any time outstanding under the Mortgage. As of March 31, 2019, after giving effect to the issuance of the new bonds and the use of proceeds therefrom as described under "Use of Proceeds," we would have had approximately $565.0 million aggregate principal amount of First Mortgage Bonds outstanding.

All outstanding First Mortgage Bonds will be secured, equally and ratably, by the lien of the Mortgage on substantially all properties owned by us (other than property excepted from such lien and such property as may be released from such lien in accordance with the terms of the Mortgage), and improvements, extensions and additions to, and renewals and replacements of, such properties.

The lien under the Mortgage is subject to certain exclusions, including liens for taxes assessed but not then due or payable, vendor's liens, liens of purchase money mortgages, liens for paving, conservancy or other assessments, any mortgage or other lien on any property hereafter acquired by us which may exist on the date of such acquisition, prior liens and excepted encumbrances. "Excepted encumbrances" include the following:

- any liens, neither assumed by us nor on which we customarily pay interest charges, existing upon real estate or rights in or relating to real estate we acquired for substation, transmission line, distribution line or right of way purposes;
- rights reserved to or vested in any municipality or public authority by the terms of any franchise, grant, license, permit or by any provision of law to purchase or recapture or to designate a purchaser of any of our property;
- rights reserved to or vested in others to take or receive any part of the power developed or generated by any of our property;
- easements or reservation in any of our property created at or before the time we acquired that property for the purpose of roads, pipe lines, transmission lines and other like purposes;
- rights reserved to or vested in any municipality or public authority to use or control or regulate any of our properties; or
- any obligations or duties affecting our property to any municipality or public authority with respect to any franchise, grant, license or permit.

The Mortgage provides that we will maintain the mortgaged property in working order and condition and equipped with suitable equipment and appliances; that we will make regular charges to expense for the establishment of reasonably adequate reserves for depreciation and will make all needed and proper repairs, retirements, renewals and replacements of the mortgaged property; that we will not charge to our property, plant and equipment accounts any expenditures that are properly chargeable to maintenance or repairs or to any other permitted expense account; and that we may promptly retire property that has permanently ceased to be used or useful in our business.

Release of Property

When not in default, we may obtain the release of any of the mortgaged and pledged property, including, without limiting the generality of the foregoing, any one or more of our heating, gas or water properties substantially as an entirety (provided, however, that our electric property shall not in any event be released substantially as an entirety (other than the assets and operations which formed part of our generation business that were transferred by us in connection with the separation of our generation business from our transmission and distribution assets in 2017 in compliance with an order of the PUCO) and, further, that prior lien bonds deposited with the Trustee shall not be released except as provided by the Mortgage) upon deposit with the Trustee of cash equivalent to the amount (if any) by which the value of the property to be released exceeds certain credits, including the cost or fair value to us, whichever is less, of any Property Additions acquired or constructed prior to or concurrently with such release that have not been used as a basis to issue additional First Mortgage Bonds. Money received by the Trustee upon any release may be withdrawn against Property Additions or against the deposit of bonds or prior lien bonds, or at our request, may be applied to purchase First Mortgage Bonds or to redeem First Mortgage Bonds that are redeemable by their terms at that time.

"Property Additions" means property acquired or constructed after September 30, 1945, to be used in the electric, natural gas, steam or water business.

"Funded Property" includes Property Additions used to satisfy requirements of bond issuances and obligations or bond retirements.

Issuance of Additional First Mortgage Bonds

The Mortgage permits us to issue an unlimited amount of First Mortgage Bonds from time to time in one or more series. All First Mortgage Bonds of one series need not be issued at the same time, and a series may be reopened for issuances of additional First Mortgage Bonds of such series. This means that we may from time to time, without the consent of the existing holders of the new bonds, create and issue additional First Mortgage Bonds having the same terms and conditions as the new bonds in all respects, except for issue date, issue price and, if applicable, the initial interest payment on the new bonds. Additional First Mortgage Bonds issued in this manner will be consolidated with, and will form a single series with, the previously outstanding First Mortgage Bonds of such series, including, if applicable, the new bonds.

Additional First Mortgage Bonds, including additional First Mortgage Bonds of an existing series, may be issued:

- upon the basis of Property Additions which are not then Funded Property in a principal amount which, together with any prior lien bonds outstanding on such Property Additions, will not exceed 60% of the cost or fair value to us of such Property Additions, whichever is less;
- against deposits or retirement of prior lien bonds deducted in determining the amount of First Mortgage Bonds issuable upon the basis of Property Additions;
- upon payment, retirement, redemption, cancellation or surrender to the Trustee for cancellation (except when canceled pursuant to certain provisions of the Mortgage as amended) of other First Mortgage Bonds issued under the Mortgage or upon deposit with the Trustee of the money necessary for their purchase or payment, in principal amount equivalent to the First Mortgage Bonds paid, retired, redeemed, canceled or surrendered or for which money has been so deposited; or
- upon deposit with the Trustee of cash equal to the principal amount of the First Mortgage Bonds to be issued; such cash may be withdrawn in lieu of First Mortgage Bonds, which we may be entitled to have authenticated and delivered to us.

The issuance of additional First Mortgage Bonds (other than bonds issued on the basis of prior bond retirements, as described above) is also limited by a net earnings test, under which no First Mortgage Bonds may be issued upon the basis of Property Additions or under certain other circumstances unless our adjusted net earnings for 12 consecutive calendar months in the 18 calendar months preceding the application for the issue of such First Mortgage Bonds shall be at least two times annual interest charges on all First Mortgage Bonds outstanding (except any for the payment of which the First Mortgage Bonds applied for are to be issued), on the additional First Mortgage Bonds and on the principal amount of all other indebtedness (except indebtedness for the payment of which the First Mortgage Bonds applied for are to be issued and indebtedness for the purchase, payment or redemption of which moneys in the necessary amount shall have been deposited with or be held by the Trustee or the trustee or other holder of a lien prior to the lien of the Mortgage upon property subject to the lien of the Mortgage with irrevocable direction so to apply the same; provided that, in the case of redemption, the notice required therefor shall have been given or have been provided for to the satisfaction of the Trustee), outstanding in the hands of the public and secured by a lien prior to the lien of the Mortgage upon property subject to the lien of the Mortgage, if said indebtedness has been assumed by us or if we customarily pay the interest upon the principal thereof.

As of March 31, 2019, approximately $309.4 million of First Mortgage Bonds would have been permitted to be issued as a result of prior bond retirements and pro forma for the use of proceeds of the new bonds offered hereby approximately $744.4 million of First Mortgage Bonds will be permitted to be issued as a result of prior bond retirements. The new bonds will be issued upon the basis of prior bond retirements.

Modification of Mortgage

Our rights and obligations and those of the holders of the First Mortgage Bonds may be modified upon the written consent of the holders of at least a majority of the First Mortgage Bonds then outstanding, but no such modification shall extend the maturity of or reduce the rate of interest on or otherwise modify the terms of payment of principal of or interest on First Mortgage Bonds or permit the creation of any lien ranking prior to or equal with the lien of the Mortgage on any of the mortgaged property. If any proposed modification shall affect the rights of holders of the First Mortgage Bonds of one or more, but not all, series, then only holders of First Mortgage Bonds of the series to be affected shall be required to consent to or shall have authority to approve such modification. Any waiver of a completed default shall be deemed to affect the First Mortgage Bonds of all series, and, subject to the foregoing, any modification of the provisions of any sinking fund established in respect of a particular series shall be deemed to affect only the First Mortgage Bonds of that series. The determination of the Trustee as to what series of First Mortgage Bonds are affected by any modification shall be conclusive.

Events of Default

Among the events which constitute a "completed default" by us under the Mortgage are the following: (a) default in the payment of the principal of any First Mortgage Bond; (b) default for 90 days in the payment of interest on any First Mortgage Bond; (c) default for 90 days in the payment of amounts required for any sinking fund established in respect of a particular series; (d) certain events in bankruptcy, insolvency or reorganization; and (e) default, for 90 days after notice to us from the Trustee, in the performance of any other covenant, agreement or condition contained in the Mortgage. Upon the occurrence of any such completed default, the Trustee or the holders of not less than 25% in principal amount of the First Mortgage Bonds of all series outstanding under the Mortgage may declare the principal of, and any accrued interest on, all such First Mortgage Bonds immediately due and payable, subject to the right of the holders of a majority in principal amount of all such First Mortgage Bonds to annul such declaration if before any sale of the mortgaged property the default is cured. We are not required to furnish periodically to the Trustee evidence as to the absence of default or as to compliance with the terms of the Mortgage, but such evidence is required in connection with the issuance of any additional First Mortgage Bond under the Mortgage and in certain other circumstances. In addition, we are required by law to furnish annually to the Trustee a certificate as to compliance with all conditions and covenants under the Mortgage.

No bondholder may institute any action, suit or proceeding for any remedy under the Mortgage unless it shall have previously given to the Trustee written notice of a default by us and, in addition, (i) the holders of not less than 25% in principal amounts of the First Mortgage Bonds outstanding under the Mortgage shall have made a written request to the Trustee to exercise its powers under the Mortgage or to institute such action, suit or proceeding in its own name, (ii) such holders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred thereby and (iii) the Trustee shall have refused to exercise such powers or to institute such action in its own name or shall have failed to do so for an unreasonable time. Bondholders, however, have an absolute and unconditional right, without such notice to the Trustee, to enforce the payment of the principal of and the interest on their First Mortgage Bonds at and after the maturity thereof.

No personal liability of directors, officers, employees, managers and stockholders

No personal liability whatever shall attach to, or be incurred by, any incorporator or any past, present or future subscriber to capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, or any of them, because of the incurring of the indebtedness authorized by the Mortgage, or under or by reason of any of the obligations, covenants or agreements contained in the Mortgage or in any indenture supplemental thereto or in any of the First Mortgage Bonds, or implied therefrom. Each holder of First Mortgage Bonds by accepting a First Mortgage Bond waives and releases all such liability. The waiver and release are part of the consideration for issuance of the First Mortgage Bonds. The waiver may not be effective to waive liabilities under the federal securities laws.

Satisfaction and Discharge of the Mortgage

Upon our making due provision for the payment of all First Mortgage Bonds and paying all other sums due under the Mortgage, the Mortgage shall cease to be of further effect and may be satisfied and discharged of record.

Merger, Consolidation and Sale

Subject to the conditions listed in the next paragraph, we may consolidate with or merge into any corporation having corporate authority to carry on any of the businesses of generating, manufacturing, transmitting, distributing or supplying (i) electricity or gas for light, heat, power or other purposes, (ii) steam or hot water for power or heat or other purposes or (iii) water for domestic or public use and consumption. The Mortgage also allows conveyance or transfer of all of the mortgaged and pledged property substantially as an entirety to any corporation that is lawfully entitled to acquire and operate such property.

The consolidation, merger, conveyance or transfer of all of the mortgaged and pledged property substantially as an entirety must satisfy the following conditions: (i) it must be upon such terms as to preserve and in no respect impair the lien or security of the Mortgage, or any rights or powers of the Trustee or the holders of First Mortgage Bonds; and (ii) the person formed by such consolidation, or into which we shall have been merged, or acquiring all the mortgaged and pledged property substantially as an entirety must expressly assume in writing the due and punctual payment of the principal and interest of all First Mortgage Bonds and the due and punctual performance and observance of all covenants and conditions of the Mortgage.

After such consolidation, merger, conveyance or transfer, the lien of the Mortgage will generally not cover the property of the successor corporation, other than the property that it acquires from us with certain exceptions.

Dividend Covenant

The Mortgage does not restrict our ability to pay dividends on our common stock.

Defeasance

Any new bonds, or any portion of the principal amount thereof, will be deemed to have been paid for all purposes of the Mortgage, and the entirety of our indebtedness in respect thereof will be deemed to have been satisfied and discharged, if there has been irrevocably deposited with the Trustee or any paying agent (other than us) for such purpose, in trust:

- money (including funded cash not otherwise applied pursuant to the Mortgage, to the extent permitted by the Mortgage) in an amount which will be sufficient; or
- in the case of a deposit made prior to the date on which principal is due, eligible obligations (as described below), which do not contain provisions permitting the redemption or other prepayment

thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide monies which, together with the money, if any, deposited with or held by the trustee or such paying agent pursuant to the first bullet point, will be sufficient; or

- a combination of options in the preceding bullet points,

which in each case, will be sufficient, without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants expressed in a written certification delivered to the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such new bonds or portions thereof. For this purpose, eligible obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States of America, entitled to the benefit of the full faith and credit thereof, and certificates, depository receipts or other instruments, which may be issued by the Trustee that evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof.

Notwithstanding the foregoing, no new bond shall be deemed to have been paid as aforesaid unless we shall have delivered to the Trustee either:

- an opinion of counsel in the United States who is reasonably acceptable to the Trustee confirming that (i) we have received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of the Mortgage, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding new bonds will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred; or
- an instrument wherein we, notwithstanding the satisfaction and discharge of our indebtedness in respect of new bonds, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee such additional sums of money, if any, or additional eligible obligations, if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or eligible obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such new bonds or portions thereof; provided, however, that such instrument may state that our obligation to make additional deposits as aforesaid shall be subject to the delivery to us by a holder of a Bond of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing showing the calculation thereof; and
- an opinion of tax counsel in the United States who is reasonably acceptable to the Trustee to the effect that the holders of the outstanding new bonds will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

Regarding the Trustee

The Trustee under the Mortgage is The Bank of New York Mellon. We, DPL, AES and their other subsidiaries also maintain various banking, lending, trust and other relationships with The Bank of New York Mellon and its affiliates.

The Mortgage provides that our obligations to compensate the Trustee and reimburse the Trustee for expenses (including any indemnity obligations) will be secured by a lien generally prior to that of the First Mortgage Bonds on the Mortgage trust estate and the proceeds thereof.

Book-Entry, Delivery and Form

The new bonds will be issued in the form of fully registered securities in global form (the "global securities"). The global securities will be deposited with, or on behalf of, DTC, or the depositary, and registered in the name of the depositary or its nominee.

Upon issuance of the global securities, the depositary or its nominee will credit, on its book entry registration and transfer system, the number of new bonds sold to QIBs pursuant to Rule 144A represented by such global securities and the number of new bonds sold to certain persons in offshore transactions in reliance on Regulation S under the Securities Act represented by such global securities to the account of institutions that have accounts with the depositary or its nominee participants (the "DTC participants"), including indirectly to the accounts of institutions that have accounts with the Euroclear Bank SA/NV ("Euroclear"), as operator of the Euroclear System and Clearstream Banking, S.A. ("Clearstream"), or their respective nominee participants (the "Euroclear and Clearstream participants" and, collectively with the DTC participants, the "participants"). The accounts to be credited shall be designated by the initial purchasers. Prior to the 40th day after the closing date, any resale or transfer of beneficial interests in the Regulation S global securities will not be permitted during that period unless the resale or transfer is made pursuant to Rule 144A or Regulation S. Ownership of beneficial interests in the global securities will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such global securities will be shown on, and the transfer of that ownership will be effected only through, records maintained by the depositary or its nominee (with respect to the participants' interests) for such global securities, or by participants or persons that hold interests through participants (with respect to beneficial interests of persons other than participants). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer or pledge beneficial interests in the global securities. Investors may hold their interests in a Regulation S global security directly through Clearstream or Euroclear, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Clearstream and Euroclear will hold interests in the Regulation S global securities on behalf of their participants through the depositary.

So long as the depositary, or its nominee, is the registered holder of any global securities, the depositary or such nominee, as the case may be, will be considered the sole legal owner of such securities for all purposes under the Mortgage and the new bonds. Except as set forth below, owners of beneficial interests in global securities will not be entitled to have such global securities registered in their names, will not receive or be entitled to receive physical delivery in exchange therefor and will not be considered to be the owners or holders of such global securities for any purpose under the new bonds or the Mortgage. We understand that under existing industry practice, in the event an owner of a beneficial interest in a global security desires to take any action that the depositary, as the holder of such global security, is entitled to take, the depositary would authorize the participants to take such action, and that the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any payment of principal, premium, if any, or interest due on the new bonds on any interest payment date, redemption date, or at maturity will be made available by us to the Trustee by such date. As soon as possible thereafter, the Trustee will make such payments to the depositary or its nominee, as the case may be, as the registered owner of the global securities representing such new bonds in accordance with existing arrangements between the Trustee and the depositary.

We expect that the depositary or its nominee, upon receipt of any payment of principal, premium or interest in respect of the global securities, will credit immediately the accounts of the related participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security as shown on the records of the depositary. We also expect that payments by participants to owners of beneficial interests in the global securities held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants.

Transfers between participants in the depositary will be effected in the ordinary way in accordance with the depositary's rules and will be settled in same-day funds. Transfers between Euroclear and Clearstream participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

None of us, the Trustee, or any paying agent for the global securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any of the global securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for other aspects of the relationship between the depositary and its participants or the relationship between such participants and the owners of beneficial interests in the global securities owning through such participants.

Unless and until exchanged in whole or in part for securities in definitive form in accordance with the terms of the new bonds, the global securities may not be transferred except as a whole by the depositary to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary of any such nominee to a successor of the depositary or a nominee of each successor.

Settlement for the new bonds will be made by the initial purchasers in immediately available funds. So long as the depositary continues to make its settlement system available to us, all payments of principal of, premium, if any, and interest on the global securities will be made by us in immediately available funds.

Although the depositary has agreed to the foregoing procedures in order to facilitate transfers of interests in the global securities among participants of the depositary, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Trustee nor we will have any responsibility for the performance by the depositary or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations. We and the Trustee may conclusively rely on, and shall be protected in relying on, instructions from the depositary for all purposes.

The global securities shall be exchangeable for corresponding certificated new bonds registered in the name of persons other than the depositary or its nominee only if (a) the depositary (i) notifies us that it is unwilling or unable to continue as depositary for any of the global securities or (ii) at any time ceases to be a clearing agency registered under the Exchange Act, (b) there shall have occurred and be continuing an event of default under the Mortgage with respect to the related series of new bonds or (c) we execute and deliver to the Trustee, an order that the global securities shall be so exchangeable. Any certificated new bonds will be issued only in fully registered form and shall be issued without coupons in minimum denominations of $2,000 and in integral multiples of $1,000 in excess thereof. Any certificated new bonds so issued will be registered in such names as the depositary shall request.

Principal, premium, if any, and interest on all certificated new bonds in registered form will be payable at the office or agency of the Trustee in The City of New York, except that, at our option, payment of any interest (except interest due at maturity) may be made by check mailed to the address of the person entitled thereto as such address shall appear in the security register or by wire transfer to an account maintained by the person entitled thereto as specified in the security register.

The depositary has advised us as follows: The depositary is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and "a clearing agency" registered under the Exchange Act. The depositary was created to hold securities of institutions that have accounts with the depositary and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of participants, thereby eliminating the need for physical movement of securities certificates. The depositary's participants include securities brokers and dealers (which may include the initial purchasers), banks, trust companies, clearing corporations and certain other organizations some of whom (or their representatives) own DTC. Access to the depositary's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, whether directly or indirectly.

EXCHANGE OFFER; REGISTRATION RIGHTS

We have agreed with the initial purchasers, for the benefit of the holders of the new bonds, to use our reasonable best efforts, at our cost, to file and cause to become effective a registration statement with respect to a registered offer to exchange the new bonds for an issue of new bonds of ours ("exchange bonds") with terms substantially identical to the new bonds (except that the exchange bonds will not be subject to transfer restrictions) and to use reasonable best efforts to consummate the offer to exchange the exchange bonds for the new bonds on or prior to the date that is 390 days after the date of issuance of the new bonds. Upon the exchange offer registration statement being declared effective, we will offer the exchange bonds in return for surrender of the new bonds. The offer will remain open for not less than 20 business days after the date notice of the exchange offer is sent to holders. For each new bond surrendered to us under the exchange offer, the holder will receive an exchange bond of equal principal amount. Interest on each exchange bond will accrue from the last interest payment date on which interest was paid on the new bonds so surrendered (or if the exchange bond is authenticated between a record date and interest payment date, from such interest payment date) or, if no interest has been paid on the new bonds, from the issue date of the new bonds.

A holder of new bonds that wishes to exchange the new bonds for exchange bonds in the exchange offer will be required to represent, among other things, that (i) any exchange bonds received by such holder will be acquired in the ordinary course of its business, (ii) it has no arrangement or understanding with any person to participate in the distribution of the new bonds within the meaning of the Securities Act, (iii) if the holder is not a broker-dealer or is a broker-dealer but will not receive exchange bonds for its own account in exchange for the new bonds, neither the holder nor any such other person is engaged in or intends to participate in a distribution of the exchange securities and (iv) it is not an affiliate (as defined in Rule 501(b) under the Securities Act) of ours.

If applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer, or under certain other circumstances, we will, at our cost, use our reasonable best efforts to cause to become effective a shelf registration statement with respect to resales of the new bonds and to keep the registration statement effective for a period of one year after the issue date of the new bonds, or, if earlier, the date when all new bonds covered by the shelf registration statement have been sold pursuant to the shelf registration statement. We will, in the event of a shelf registration, provide copies of the prospectus to each holder, notify each holder when the shelf registration statement for the new bonds has become effective and take certain other actions as are required to permit resales of the new bonds. A holder that sells its new bonds pursuant to the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales and will be bound by the provisions of the registration rights agreement that are applicable to a selling holder, including certain indemnification obligations.

If (a) we do not consummate the exchange offer on or prior to the date that is 390 days following the issuance of the new bonds (the "exchange offering closing deadline") or (b) we have not caused to become effective a shelf registration statement by the 90th day after the obligation to file such shelf registration statement arises (the "shelf effectiveness deadline") (which in no event, however, shall be earlier than the exchange offer closing deadline (each such event referred to in clause (a) and (b) a "Registration Default")), the interest rate for the new bonds will increase by 0.25% per annum during the first 90-day period immediately following the occurrence of any Registration Default, and such increased rate will further increase by 0.25% per annum beginning on the 91st day following the occurrence of such Registration Default, but in no event shall such increases (such amounts "additional interest") exceed in the aggregate 0.50% per annum regardless of the number of Registration Defaults that have occurred and are continuing. Following the cure of all Registration Defaults, the interest rate on the new bonds will be reduced to the original interest rate; provided, however, that, if after any such reduction in interest rate, a different Registration Default occurs, the interest rate on the new bonds shall again be increased pursuant to the foregoing provisions.

If we effect the exchange offer, we will be entitled to close the exchange offer 20 business days after the commencement thereof if we have accepted all new bonds validly surrendered in accordance with the terms of the exchange offer. New bonds not tendered in the exchange offer will bear interest at the rate set forth on the cover page of this offering memorandum and be subject to all of the terms and conditions specified in the indenture and to the transfer restrictions described in “Transfer Restrictions.”

This is a summary of the material provisions of the registration rights agreement. Because this is a summary, it may not contain all the information that is important to you. You should read the registration rights agreement in its entirety. Copies of the proposed form of registration rights agreement are available as described under “Where You Can Find More Information.”

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following summary describes certain U.S. federal income tax consequences of ownership and disposition of the new bonds. This discussion applies only to new bonds that meet both of the following conditions:

- they are purchased by initial investors who purchase new bonds at the "issue price," which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the new bonds is sold for money; and
- they are held as capital assets.

This discussion does not describe the potential application of the income accrual rules set forth in Section 451(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or all of the tax consequences that may be relevant to beneficial owners in light of their particular circumstances or to beneficial owners subject to special rules, such as:

- certain financial institutions (such as banks);
- tax-exempt organizations;
- insurance companies;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding new bonds as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- entities or arrangements classified as partnerships for U.S. federal income tax purposes;
- U.S. expatriates; or
- persons subject to the alternative minimum tax.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds new bonds, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships holding new bonds are urged to consult their tax advisors as to their particular U.S. federal income tax consequences of holding and disposing of the new bonds.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which after the date of this offering memorandum may affect the tax consequences described herein, possibly on a retroactive basis. Persons considering the purchase of new bonds are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction or any other U.S. federal tax laws, such as estate and gift tax laws or the Medicare tax on certain investment income.

Tax Consequences to U.S. Holders

As used in this section, the term "U.S. Holder" means a beneficial owner of a new bond that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

The new bonds are expected to be, and the remainder of this discussion assumes that the new bonds will be, issued without original issue discount for U.S. federal income tax purposes. Interest paid on a new bond will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Other Disposition

Upon the sale, exchange, retirement or other taxable disposition (including a redemption) of a new bond, a U.S. Holder will generally recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the new bond (generally, its cost). For these purposes, the amount realized does not include any amount attributable to accrued interest not previously included in income. Amounts attributable to accrued interest not previously included in income are treated as interest as described under "Payments of Interest" above.

Gain or loss realized on the sale, exchange, retirement or other taxable disposition of a new bond will generally be capital gain or loss and will be long-term capital gain or loss if, at the time of sale, exchange, retirement or other taxable disposition, the new bond has been held for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders are subject to reduced rates. The deductibility of capital losses is subject to limitations under the Code.

Backup Withholding and Information Reporting

Information returns will be filed with the Internal Revenue Service (the "IRS") in connection with payments on the new bonds and the proceeds from a sale or other disposition of the new bonds, except with respect to a U.S. Holder that establishes that it is an exempt recipient. A U.S. Holder will be subject to backup withholding on these payments if the U.S. Holder fails to timely provide its correct taxpayer identification number to the paying agent and to comply with certain certification procedures or otherwise fails to establish an exemption from backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Tax Consequences to Non-U.S. Holders

As used in this section, the term "Non-U.S. Holder" means a beneficial owner of a new bond that is for U.S. federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- a foreign estate or trust.

"Non-U.S. Holder" does not include an individual who is present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of owning or disposing of a new bond.

Subject to the discussions below concerning backup withholding and FATCA:

- payments of principal and interest on the new bonds by the Company or any paying agent to any Non-U.S. Holder will not be subject to U.S. federal withholding tax, provided that, in the case of interest,

    - the Non-U.S. Holder does not own, actually or constructively, ten percent or more of the total combined voting power of all classes of stock of the Company entitled to vote and is not a controlled foreign corporation related, directly or indirectly, to the Company through stock ownership; and
    - the certification requirement described below has been fulfilled with respect to the beneficial owner, as discussed below; and
- a Non-U.S. Holder of a new bond will not be subject to U.S. federal income tax on gain realized on the sale, exchange or other disposition of such new bond, unless the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, subject to an applicable income tax treaty providing otherwise.

The certification requirement described above generally will be satisfied if the Non-U.S. Holder certifies on IRS Form W-8BEN or W-8BEN-E, as applicable (or other appropriate form), under penalties of perjury, that it is not a U.S. person.

If a Non-U.S. Holder of a new bond is engaged in a trade or business in the United States, and if interest or gain on the new bond is effectively connected with the conduct of that trade or business, the Non-U.S. Holder, although exempt from the withholding tax referred to above, will generally be taxed in the same manner as a U.S. Holder (see "—Tax Consequences to U.S. Holders" above), subject to an applicable income tax treaty providing otherwise, except that the Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or appropriate substitute form) in order to receive payments of interest free of withholding.

An applicable income tax treaty may provide special rules. A Non-U.S. Holder should consult its tax advisor with respect to other U.S. tax consequences of the ownership and disposition of new bonds, including, with respect to a Non-U.S. Holder that is a foreign corporation, the possible imposition of a branch profits tax on its effectively connected earnings and profits at a rate of 30% (or lower treaty rate).

The certifications described above must be provided to the applicable withholding agent prior to the payment of interest and must be updated periodically. Non-U.S. Holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Backup Withholding and Information Reporting

Information returns will be filed with the IRS in connection with payments of interest on the new bonds.

Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person, information returns may be filed with the IRS in connection with the proceeds from a disposition of the new bonds, and the Non-U.S. Holder may be subject to backup withholding with respect to payments on the new bonds or of the proceeds from a disposition of the new bonds. Compliance with the certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

FATCA Legislation

Legislation commonly referred to as "FATCA" generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various information reporting and due diligence requirements have been satisfied or such entity otherwise qualifies for an exemption from these rules. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. Withholding under these rules (if applicable) applies to payments of interest on the new bonds and to payments of gross proceeds of the disposition (including upon retirement) of the new bonds. However, regulations proposed by the U.S. Treasury Department (the preamble to which indicates that taxpayers may rely on the regulations pending their finalization) would eliminate the requirement under FATCA of withholding on gross proceeds (other than payments of interest) of the disposition of the new bonds. Prospective investors should consult their tax advisors regarding the potential application of FATCA to the new bonds.

NOTICE TO INVESTORS

Each purchaser of the new bonds offered hereby, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the initial purchasers and us as follows:

(1) It understands and acknowledges that the new bonds have not been registered under the Securities Act or any other applicable securities laws, are being offered for resale in transactions not requiring registration under the Securities Act and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to any exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) It is either:

(a) a QIB and is aware that any sale of the new bonds to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account over which it exercises sole investment discretion of another QIB; or

(b) a person that, at the time the buy order for the new bonds was originated, was outside the United States and was not a U.S. person (and was not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S.

(3) It acknowledges that neither we nor the initial purchasers nor any person representing us or the initial purchasers have made any representations to it with respect to us or the offering or sale of any new bonds other than the information contained in this offering memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the new bonds. Accordingly, it acknowledges that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such material. It has had access to financial and other information concerning us and the new bonds it has deemed necessary in connection with its decision to purchase any of the new bonds, including an opportunity to ask questions of and receive information from us and the initial purchasers.

(4) It is purchasing the new bonds for its own account, or for one or more accounts ("investors accounts") for which it is acting as fiduciary or agent (except if it is a bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution as described in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or in a fiduciary capacity), in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such new bonds pursuant to an effective registration statement under the Securities Act, Rule 144A, Regulation S or any other exemption from registration available under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing new bonds, and each subsequent holder of a new bond by its acceptance thereof will agree, to offer, sell or otherwise transfer such new bonds prior to the date that is one year after the later of the original issue date and the last date on which we or any of our affiliates was the owner of such new bonds (the "Resale Restriction Termination Date") only (a) to us or any of our subsidiaries, (b) for so long as the new bonds are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB (as defined in Rule 144A) that purchases for its own account or for the account of a QIB (as defined in Rule 144A) to which notice is given that the transfer is being made in reliance on Rule 144A, (c) pursuant to offers and sales outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to a registration statement which has been declared effective under the Securities Act or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, including under Rule 144, if available, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws. Each purchaser acknowledges that we and the trustee reserve the right to

require, prior to any offer, sale or other transfer made pursuant to clause (c) above prior to the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S under the Securities Act, or according to clause (e) above, prior to the Resale Restriction Termination Date, to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee, as the case may be. Each purchaser agrees that it will not directly or indirectly engage in any hedging transactions involving the new bonds unless in compliance with the Securities Act.

Each purchaser acknowledges that each new bond issued prior to the Resale Restriction Termination Date will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (III) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (IV) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (V) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (INCLUDING UNDER RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE), SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (III) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO CLAUSE (V) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE.

(5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the “40-day distribution compliance period” any offer or sale of these new bonds shall not be made by you to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act.

(6) In acquiring or accepting the new bonds or an interest therein, either: (i) no assets of a Plan or governmental or church plan, or any trust established with respect to a Plan or governmental or church plan, have been used to acquire such a new bond or an interest therein or (ii) the purchase and holding of such new bond or an interest therein by such person are exempt from the prohibited transaction restrictions on ERISA and the Code or any provisions of Similar Law, as applicable, pursuant to one or more prohibited transaction statutory or administrative exemptions.

(7) It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by such purchaser by its purchase of new bonds are no longer accurate, such purchaser shall promptly notify the initial purchasers. If it is acquiring any new bonds as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the purchase agreement among us and BofA Securities, Inc. and J.P. Morgan Securities LLC, representatives for the initial purchasers, we have agreed to sell to each initial purchaser named below, and each initial purchaser has severally agreed to purchase from us, the principal amount of the new bonds set forth opposite that initial purchaser's name.

Initial Purchasers	Principal Amount of New Bonds
BofA Securities, Inc.	$127,500,000
J.P. Morgan Securities LLC	$127,500,000
PNC Capital Markets LLC	$ 42,500,000
SunTrust Robinson Humphrey, Inc.	$ 42,500,000
U.S. Bancorp Investments, Inc.	$ 42,500,000
BMO Capital Markets Corp.	$ 14,167,000
Fifth Third Securities, Inc.	$ 14,167,000
The Huntington Investment Company	$ 14,166,000
Total	$425,000,000

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase new bonds from us, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all of the new bonds being sold pursuant to the purchase agreement if any of them are purchased.

The initial purchasers initially propose to offer the new bonds for resale at the issue price that appears on the cover page of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell the new bonds through certain of their affiliates.

In the purchase agreement, we have agreed that:

- We will not, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of or otherwise dispose of any of our debt securities (other than the new bonds) or any of our securities convertible into or exchangeable for our debt securities for a period of 30 days after the date of this offering memorandum without the prior consent of both BofA Securities, Inc. and J.P. Morgan Securities LLC; and
- We will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The new bonds have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- The new bonds may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- During the initial distribution of the new bonds, it will offer or sell new bonds only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of new bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

The new bonds are a new issue of securities, and there is currently no established trading market for the new bonds. In addition, the new bonds are subject to certain restrictions on resale and transfer as described under "Notice to Investors." We do not intend to apply for the new bonds to be listed on any securities exchange or to arrange for the new bonds to be quoted on any quotation system. The initial purchasers have advised us that they intend to make a market in the new bonds, but they are not obligated to do so. The initial purchasers may discontinue without notice any market making in the new bonds at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the new bonds, that you will be able to sell the new bonds at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the new bonds, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the new bonds in the open market for the purpose of pegging, fixing or maintaining the price of the new bonds. Syndicate covering transactions involve purchases of the new bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may have the effect of preventing or retarding a decline in the market price of the new bonds or cause the price of the new bonds to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time without notice.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have from time to time performed and may in the future perform various financial advisory, commercial banking, investment banking and other related services for us and our affiliates in the ordinary course of business. They have received (or will receive) customary fees and commissions for these transactions. Certain of the initial purchasers in this offering or their affiliates serve as lenders and/or agents under our Term Loan B Credit Agreement and may receive a portion of the proceeds of this offering.

Certain of the initial purchasers or their affiliates have a lending relationship with us, and certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the new bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the new bonds offered hereby.

Further, in the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans or credit default swaps) for their own account and for the accounts of their customers, and such investment and securities activities may involve our securities or instruments. The initial purchasers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold (for their own account and for the accounts of their customers), or recommend to clients that they acquire, long or short positions in such securities and instruments.

We expect to deliver the new bonds against payment for the new bonds on or about the date specified on the cover page of this offering memorandum, which will be the three business day following the date of the pricing of the new bonds. Since trades in the secondary market generally settle in two business days, purchasers who wish to trade new bonds on the date of pricing will be required, by virtue of the fact that the new bonds initially will settle T+3, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the new bonds who wish to trade the new bonds on the date of pricing should consult their advisors.

Selling Restrictions

United Kingdom

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/ or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

European Economic Area

The new bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (‘‘EEA’’). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, ‘‘MiFID II’’); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the ‘‘Insurance Mediation Directive’’), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the ‘‘Prospectus Directive’’). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the ‘‘PRIIPs Regulation’’) for offering or selling the new bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the new bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

This offering memorandum has been prepared on the basis that any offer of the new bonds in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from a requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purpose of the Prospectus Directive.

Japan

The initial purchasers will not offer or sell any of our new bonds directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, “Japanese person” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

The initial purchasers and each of their affiliates have not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, our new bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or

(b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to our new bonds which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore

This offering memorandum or any other offering material distributed by the initial purchasers relating to the new bonds has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the new bonds will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the new bonds may not be circulated or distributed, nor may the new bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the new bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The new bonds will not be listed on the SIX Swiss Exchange and, therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the new bonds may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the new bonds with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Canada

The new bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the new bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

United Arab Emirates

The new bonds have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Abu Dhabi Global Market and the Dubai International Financial Centre) other than in compliance with the laws, regulations and rules of the United Arab Emirates, the Abu Dhabi Global Market and the Dubai International Financial Centre governing the issue, offering and sale of securities. Further, this offering memorandum does not constitute a public offer of securities in the United Arab Emirates (including the Abu Dhabi Global Market and the Dubai International Financial Centre) and is not intended to be a public offer. This offering memorandum has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority, the Financial Services Regulatory Authority or the Dubai Financial Services Authority.

LEGAL MATTERS

Certain legal matters in connection with the offering of the new bonds will be passed upon for The Dayton Power and Light Company by Porter Wright Morris & Arthur LLP, Cincinnati, Ohio and Davis Polk & Wardwell LLP, New York, New York. Certain legal matters in connection with the offering of the new bonds will be passed upon for the initial purchasers by Latham & Watkins LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements of Dayton Power & Light Company as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, incorporated by reference in this offering memorandum, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in its report thereon, included therein, and incorporated by reference herein.

$425,000,000

The Dayton Power and Light Company

First Mortgage Bonds, 3.950% Series due 2049

OFFERING MEMORANDUM

Joint-Book Running Managers

BofA Merrill Lynch

J.P. Morgan

PNC Capital Markets LLC

SunTrust Robinson Humphrey

US Bancorp

Co-Managers

BMO Capital Markets

Fifth Third Securities

Huntington Capital Markets

June 3, 2019