

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION	)	
OF THE DAYTON POWER AND LIGHT	)	
COMPANY FOR AUTHORITY TO ISSUE	)	
AND SELL AN AMOUNT NOT TO EXCEED	)	Case No. 13-893-EL-AIS
\$490 MILLION OF FIRST MORTGAGE	)	
BONDS, DEBENTURES, NOTES, OR OTHER	)	
EVIDENCES OF INDEBTEDNESS OR	)	
UNSECURED NOTES	)	

REPORT OF SALE

Your Applicant, The Dayton Power and Light Company (the "Company"), pursuant to the Commission's Order of July 10, 2013, files the following report regarding the terms of sale of the First Mortgage Bonds sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, as representatives for the initial purchasers.


1. First Mortgage Bonds
  - A. Principal Amount: \$445,000,000
  - B. Pricing Date: September 12, 2013
  - C. Settlement Date: September 19, 2013
  - D. Maturity Date: September 15, 2016
  - E. Benchmark Treasury: US Treasury 0.625% Bonds due August 15, 2016
  - F. Benchmark Treasury Yield: 0.834% (as of Pricing Date)
  - G. Spread to Benchmark Treasury: +110 bps
  - H. Yield to Maturity: 1.934%
  - I. Price to Initial Purchasers: 99.83%
  - J. Final Coupon Rate: 1.875%
  - K. Annual Interest Cost: \$8,343,750
  - L. Underwriters' Discount: 0.35%
  - M. Underwriters' Compensation: \$1,557,500

- N. Proceeds: \$442,686,000 (net of pricing discount & underwriter compensation)
- O. Other Estimated<sup>1</sup> Financing and Financing Related Costs: \$6,100,000
- P. Total Estimated<sup>1</sup> Net Proceeds: \$436,586,000.00
- Q. Bookrunners: Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Fifth Third Securities, Inc., PNC Capital Markets LLC and U.S. Bancorp Investments, Inc.
- R. Co-Managers: BMO Capital Markets GKST Inc., The Huntington Investment Company, Regions Securities LLC
- S. Redemption Terms: Optional at the greater of (i) 100% of the principal amount of the Bonds being redeemed or (ii) the sum of the present values of the scheduled payments of principal and interest on the Bonds from the redemption date to the stated maturity date of the Bonds, discounted to the redemption date on a semi-annual basis at a discount rate equal to the Treasury Rate plus 20 basis points.
- T. Redemption of \$470M of First Mortgage Bonds: \$470,000,000 of First Mortgage Bonds will be redeemed, at par, on their October 1, 2013 maturity date.

*A small amount of audit and legal expenses have yet to be invoiced.*

A copy of the Offering Memorandum, Purchase Agreement and Supplemental Indenture are attached to the Report of Sale filed herein.

By: \_\_\_\_\_

  
Jeffrey K. MacKay  
Vice President and Treasurer  
The Dayton Power and Light Company  
1065 Woodman Drive  
Dayton, OH 45432  
(937) 259-7257

**OFFERING MEMORANDUM**

**\$445,000,000**



**The Dayton Power and Light Company**  
**FIRST MORTGAGE BONDS**  
**1.875% SERIES DUE 2016**

**Interest payable March 15 and September 15**

We are offering \$445,000,000 of our First Mortgage Bonds, 1.875% Series Due 2016 (the "Bonds"). The Bonds will mature on September 15, 2016, unless redeemed prior to that date. The first interest payment on the Bonds will be made on March 15, 2014. The Bonds will be issued only in denominations of \$1,000 and integral multiples of \$1,000. We may redeem the 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 Bonds—Optional Redemption."

The 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 Bonds—Priority and Security." The Bonds will rank equally in right of payment with our other existing or future First Mortgage Bonds issued under the Mortgage. As of June 30, 2013, we had approximately \$884.4 million aggregate principal amount of First Mortgage Bonds outstanding. We intend to use the net proceeds from this offering and cash on hand to repay at maturity \$470.0 million aggregate principal amount of our First Mortgage Bonds, 5.125% Series Due 2013.

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 Bonds. See "Exchange Offer; Registration Rights."

**Investing in the Bonds involves risks. See "Risk Factors" beginning on page 5.**

**PRICE: 99.830% AND ACCRUED INTEREST, IF ANY, FROM SEPTEMBER 19, 2013**

The 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 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, the Bonds are being offered and sold only to qualified institutional buyers in compliance with Rule 144A under the Securities Act and outside the United States to persons other than U.S. persons in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions."

*The Bonds will be ready for delivery in book-entry form through the facilities of The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear Bank S.A./N.A., as operator of the Euroclear System, and Clearstream Banking, société anonyme, on or about September 19, 2013.*

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Fifth Third Securities, Inc.**

**PNC Capital Markets LLC**

**Morgan Stanley**

**US Bancorp**

**Co-Managers**

**BMO Capital Markets**

**Regions Securities LLC**

**Huntington Investment Company**

**September 12, 2013**

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This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Bonds offered by this offering memorandum to or by any person in any jurisdiction in which it is unlawful for such person to make that offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under this offering memorandum shall under any circumstances imply that there has been no change in our affairs, or that the information set forth in this offering memorandum, including the information incorporated by reference in this offering memorandum, is correct as of any date after the date of this offering memorandum. You should rely only on information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different from that contained in this offering memorandum.

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with this offering. The initial purchasers and we reserve the right to reject any offer to purchase, in whole or in part, for any reason, and the right to sell less than all of the Bonds offered by this offering memorandum. This offering memorandum is personal to the offeree to whom it is delivered by the initial purchasers, and it does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Bonds or a solicitation of any offer to purchase the Bonds from any other person or the public in general. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect to the offering of the Bonds is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to these restrictions and not to make any copy of this offering memorandum in any medium. Each offeree also agrees that if the offeree does not purchase the Bonds, or the offering is terminated for any reason, the offeree will return this offering memorandum to Merrill Lynch, Pierce, Fenner & Smith Incorporated, Attention: High Grade Capital Markets, One Bryant Park, Floor 3, New York, New York 10036.

Each person receiving this offering memorandum acknowledges that:

- such person was afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained or incorporated by reference in this offering memorandum;
- such person did not rely on the initial purchasers or any person affiliated with the initial purchasers in connection with any investigation of the accuracy of such information or its investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Bonds (other than as contained or incorporated by reference in this offering memorandum and information given by our duly authorized officers in connection with that investor's examination of us and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

In making an investment decision, investors must rely on their own examination of us and the terms of this offering, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The Bonds are subject to restrictions on transfer and resale and may not be transferred or sold except as permitted under the Securities Act and applicable state securities laws, or pursuant to registration, exemption therefrom or in a transaction not subject thereto. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions."

No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of the information set forth or incorporated by reference in this offering memorandum, and nothing contained or incorporated by reference in this offering memorandum is, or may be relied upon as, a promise or representation, whether as to the past or the future. The initial purchasers assume no responsibility for the accuracy or completeness of the information contained or incorporated by reference in this offering memorandum.

Neither we or any of our representatives nor the initial purchasers or any of their respective representatives is making any representation to any offeree or purchaser of the Bonds offered hereby regarding the legality of an investment by such offeree or purchaser under appropriate legal, tax, business, financial and related aspects of a purchase of the Bonds.

Unless we have indicated otherwise, or the context otherwise requires, for purposes of this offering memorandum (1) references to the "Company," "DP&L," "we," "us," and "our," or similar terms, are to The Dayton Power and Light Company, an Ohio corporation, and (2) references to "DPL" are to DPL Inc., an Ohio corporation, and our parent company.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE ("RSA 421-B") NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## FORWARD-LOOKING STATEMENTS

This offering memorandum and the documents incorporated by reference contain forward-looking statements. Matters discussed in this offering memorandum and the documents incorporated by reference that relate to events or developments that are expected to occur in the future, including management's expectations, strategic objectives, business prospects, anticipated economic performance and financial condition and other similar matters constitute forward-looking statements. Forward-looking statements are based on management's beliefs, assumptions and expectations of future economic performance, taking into account the information currently available to management. These statements are not statements of historical fact and are typically identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions. Such forward-looking statements are subject to risks and uncertainties and investors are cautioned that outcomes and results may vary materially from those projected due to various factors beyond our control, including but not limited to:

- abnormal or severe weather and catastrophic weather-related damage;
- unusual maintenance or repair requirements;
- changes in fuel costs and purchased power, coal, environmental emissions, natural gas and other commodity prices;
- volatility and changes in markets for electricity and other energy-related commodities;
- generating unit availability and capacity;
- transmission and distribution system reliability and capacity;
- impacts of renewable energy generation, natural gas prices and other factors on whole sale prices;
- changes in our credit ratings or the credit ratings of The AES Corporation ("AES");
- increased competition and deregulation in the electric utility industry;
- increased competition in the retail generation market;
- changes in interest rates;
- state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, emission levels, rate structures or tax laws;
- changes in environmental laws and regulations to which we are subject;
- the development and operation of regional transmission organizations, including PJM Interconnection, LLC, to which we have given control of our transmission functions;
- changes in our purchasing processes, pricing, delays, contractor and supplier performance and availability;
- significant delays associated with large construction projects;
- growth in our service territory and changes in demand and demographic patterns;
- changes in accounting rules and the effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- financial market conditions;
- the outcomes of litigation and regulatory investigations, proceedings or inquiries;
- general economic conditions;
- costs related to the merger through which DPL and we became a wholly-owned subsidiary of AES and the effects of any disruption from the merger that may make it more difficult to maintain relationships with employees, customers, other business partners or government entities; and
- the risks and other factors discussed in this offering memorandum and our filings with the Securities and Exchange Commission ("SEC").

We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which the forward-looking statement is based. 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.

#### **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 web site located at [www.sec.gov](http://www.sec.gov). You may read and copy any documents we file at the SEC public reference room, 450 Fifth Street, N.W., Washington, D.C. 20549. Call the SEC at 1-800-732-0330 for more information about the public reference room and how to request documents. In addition, for so long as the Bonds remain outstanding, we have agreed to make available to any prospective purchaser of the Bonds the information required by Rule 144A(d)(4) under the Securities Act.

We are "incorporating by reference" the information filed by us with the SEC, which means we can refer you to important information without restating it in this offering memorandum. The information incorporated by reference is an important part of this offering memorandum, and information we file later with the SEC will automatically update and supersede this information. We incorporate by reference into this offering memorandum the following documents that we have filed with the SEC to the limited extent that they reflect information specific to us (we do not incorporate the following documents to the extent that they reflect information specific to our parent company, DPL):

- Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on February 27, 2013;
- Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013, filed with the SEC on May 9, 2013;
- Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013, filed with the SEC on August 8, 2013; and
- Current Report on Form 8-K, filed with the SEC on May 16, 2013.

In addition, all documents filed by us pursuant to Section 13, 14 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, shall be deemed to be incorporated by reference into this offering memorandum and to be a part of this offering memorandum from the date of filing of such documents.

You may obtain copies of these documents from us, without charge, by calling or writing to us at:

The Dayton Power and Light Company  
Attention: Financial Activities  
1065 Woodman Drive  
Dayton, Ohio 45432  
(937) 224-6000

## **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 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.



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## SUMMARY

*The following summary is qualified in its entirety by the more detailed information appearing 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. You should read this entire offering memorandum and the documents incorporated by reference in this offering memorandum in their entirety before making an investment decision. You should read the sections entitled "Risk Factors" in this offering memorandum and the documents incorporated by reference herein for more information about important factors that you should consider before buying any Bonds.*

### 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 are engaged in the generation, transmission, distribution and sale of electricity to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity sold to standard service offer customers is primarily generated at eight coal-fired power plants. We distribute electricity to more than 513,000 retail customers in our 24 county service area. Principal industries located within our service area include food processing, paper, plastic manufacturing and defense. Our retail generation sales reflect the general economic conditions and seasonal weather patterns of the area as well as retail market conditions. We sell any excess energy and capacity into the wholesale market. We also sell electricity to DPL Energy Resources, Inc., an affiliate, to satisfy the electric requirements of its retail customers.

Our electric transmission and distribution businesses are subject to rate regulation by federal and state regulators, while our generation business is deemed competitive under Ohio law. 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 recoveries in customer rates relate to expected future costs.

As of December 31, 2012, we employed approximately 1,400 people. All of our outstanding shares of common stock are held by DPL Inc. ("DPL"), which became our corporate parent, effective April 21, 1986. Our ultimate parent is The AES Corporation ("AES"). Our principal executive and business office is located at 1065 Woodman Drive, Dayton, Ohio 45432 — telephone (937) 224-6000.

### Recent Developments

Ohio law requires that all Ohio distribution utilities, such as DP&L, file either an electric security plan ("ESP") or market rate option to establish rates for standard service offer ("SSO"), which represents the regulated rates authorized by the Public Utilities Commission of Ohio ("PUCO") and charged to retail customers within the applicable utility's service territory. An ESP, if filed by a utility, may allow for cost-based adjustments to the SSO for costs associated with environmental compliances; fuel and purchased power; construction of new or investment in specified generating facilities; and the provision of standby and default service, operating, maintenance, or other costs including taxes.

On October 5, 2012, we filed an ESP with PUCO to establish SSO rates that were to be in effect starting January 2013. Among other things, the ESP requested approval of a non-bypassable charge of \$137.5 million per year for five years from all customers for the purpose of stabilizing and providing certainty regarding retail electric service by maintaining our financial integrity (a "Service Stability Rider"). On September 6, 2013, the PUCO issued an order on our ESP. The ESP order is subject to reconsideration by the PUCO, upon application by any party to its proceeding, and appellate review by the Ohio Supreme Court. The major elements of the ESP order are listed below, including (i) a requirement to procure an increasing percentage of electricity at market rates, set by a competitive bidding process, blended with electricity at rates established in the ESP order and (ii) a timeline for separating our generation business from our distribution and transmission business in response to Ohio law:

<b>ESP Term</b> . . . . .	January 1, 2014 through May 31, 2017.
<b>Service Stability Rider</b> . . . . .	\$110 million per year (2014-2016).
<b>Service Stability Rider Extension</b> . . . . .	Opportunity to receive \$45.8 million for the period January 1, 2017 through May 31, 2017 if certain conditions are met, including that we must:

- demonstrate the amount is necessary for our financial integrity;
- file a distribution rate case by July 1, 2014;
- file a plan to modernize our electric distribution infrastructure by July 1, 2014;
- file an application to divest our generation assets by December 31, 2013; and
- establish a plan to modernize our billing system by December 31, 2014.

#### **Competitive Bidding Process**

Blending percentages:

- January 1, 2014 through December 31, 2014—10%;
- January 1, 2015 through December 31, 2015—40%;
- January 1, 2016 through May 31, 2017—70%; and
- June 1, 2017—100%.

#### **Corporate Separation**

We are required to file an application to amend our Corporate Separation Plan by December 31, 2013 and are required to complete legal separation of our generation business on or before May 31, 2017.

### The Proposed Offering

*The following summary information with respect to this offering is qualified in its entirety by the information contained elsewhere in or incorporated by reference into this offering memorandum.*

<b>Issuer</b> . . . . .	The Dayton Power and Light Company.
<b>Bonds Offered</b> . . . . .	\$445,000,000 aggregate principal amount of First Mortgage Bonds, 1.875% Series Due 2016.
<b>Maturity</b> . . . . .	The Bonds will mature on September 15, 2016, unless redeemed prior to that date.
<b>Interest Rate</b> . . . . .	The Bonds will bear interest at 1.875% per annum.
<b>Interest Payment Dates</b> . . . . .	March 15 and September 15 of each year, commencing on March 15, 2014.
<b>Optional Redemption</b> . . . . .	We may redeem the Bonds, in whole or in part, at our option at any time or from time to time prior to maturity, at a redemption price equal to the Make-Whole Amount (as defined below) plus accrued and unpaid interest to the redemption date. The Make-Whole Amount equals the greater of (i) 100% of the principal amount of the Bonds being redeemed or (ii) as determined by a Quotation Agent (as defined below) as of the redemption date, the sum of the present value of the scheduled payments of principal and interest on the Bonds from the redemption date to the stated maturity date of the Bonds (excluding the portion of any such interest accrued to such redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) plus 20 basis points. See "Description of the Bonds—Optional Redemption."
<b>Ranking</b> . . . . .	The Bonds will be senior secured obligations of the Issuer, ranking equally in right of payment with our other existing or future First Mortgage Bonds issued under the 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 Bonds—Priority and Security."
<b>Security</b> . . . . .	The Bonds will be secured by the assets of the Issuer that are currently mortgaged pursuant to the existing Mortgage. See "Description of the Bonds—Priority and Security."
<b>Use of Proceeds</b> . . . . .	The net proceeds from the sale of the Bonds are estimated to be approximately \$438.5 million after deducting the discounts and commissions payable to the initial purchasers and other expenses payable by us. We intend to use the net proceeds from this offering and cash on hand to repay at maturity \$470.0 million aggregate principal amount of our First Mortgage Bonds, 5.125% Series Due 2013. See "Use of Proceeds."
<b>Transfer Restrictions</b> . . . . .	The Bonds have not been registered under the Securities Act or under the securities laws of any other jurisdiction. The Bonds are subject to certain restrictions on transfer and may only be offered or sold in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."

**Exchange Offer; Registration****Rights .**

Under a registration rights agreement to be executed in connection with this offering, we will agree to file by the date that is 210 days after the date of issuance of the Bonds an exchange offer registration statement registering exchange bonds with the SEC that have substantially identical terms as the Bonds and to use reasonable best efforts to consummate an offer to exchange the exchange bonds for the Bonds on or prior to the date that is 300 days after the date of issuance of the 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 Bonds under certain circumstances.

We will pay additional interest on the 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 bonds are freely tradable. See "Exchange Offer; Registration Rights."

**Trustee and Paying Agent**

The Bank of New York Mellon.

## **RISK FACTORS**

*In considering whether to purchase the Bonds offered hereby, you should carefully consider the information we have included or incorporated by reference into this offering memorandum. Please see the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2013 and June 30, 2013, which are incorporated by reference herein. The risks described in this offering memorandum and in the documents incorporated by reference herein are those that we consider to be the most significant to your decision whether to invest in the Bonds. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business or results of operations in the future. Any of these risks could materially adversely affect our business, financial condition or results of operations.*

### **Risks Related to the Bonds**

***We have significant debt, and may not maintain our current credit ratings.***

We have a significant amount of debt. Our credit ratings may in the future be lower than our current or historical credit ratings. Differences in credit ratings would affect the interest rates charged on financings, as well as the amounts of indebtedness, types of financing structures and debt markets that may be available to us. In particular, following the order by the Public Utility Commission of Ohio (the “PUCO”) on September 6, 2013 with respect to our Electric Security Plan (“ESP”), the rating assigned to us by Moody’s was downgraded to Baa3 from Baa2 and the rating assigned to us by Fitch was downgraded to BB+ from ‘BBB-. The rating assigned to us by Standard & Poor’s remained stable. A downgrade to our existing credit ratings could have a material adverse effect on our operating results and our ability to obtain additional financing, which could adversely affect the market value of the Bonds and could impair our ability to pay interest or principal on the Bonds.

***Ratings of the Bonds may change after issuance and affect the market price and marketability of the Bonds.***

Bond ratings are limited in scope and do not address all material risks relating to an investment in the Bonds, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of a rating may be obtained from the rating agency. 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 Bonds will have no recourse against us in the event of a change in or suspension or withdrawal of such ratings. Any downgrade, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Bonds.

***The Bonds are not listed on any securities exchange and a liquid market for the Bonds may not develop or be maintained.***

We have not listed and we do not intend to list the Bonds on any national securities exchange or to seek their quotation on any automated dealer quotation system. We cannot assure holders of the Bonds that any liquid market for the Bonds will develop or be maintained. The initial purchasers have advised us that they currently intend to make a market in the Bonds following this offering. However, the initial purchasers have no obligation to make a market in the Bonds and they may stop at any time. Further, there can be no assurance as to the liquidity of any market that may develop for the Bonds, holders’ ability to sell their Bonds or the price at which holders will be able to sell their Bonds. Future trading prices of the Bonds will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the Bonds and the market for similar securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds, the daily trading volume of the Bonds and the level, direction and volatility of market interest rates generally.

***We may choose to redeem the Bonds prior to maturity.***

We may redeem the Bonds at any time in whole, or from time to time in part, at a redemption price equal to the Make-Whole-Amount plus accrued and unpaid interest to the redemption date. If prevailing interest rates are lower at the time of redemption, holders of the 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 Bonds being redeemed. Our redemption right may also adversely affect holders’ ability to sell their Bonds. See “Description of the Bonds—Optional Redemption.”

***The collateral securing the Bonds might not be sufficient to satisfy all the obligations secured by the collateral.***

Our obligations under the 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 Bonds—Priority and Security.” As of June 30, 2013, after giving effect to the issuance of the Bonds and the use of proceeds therefrom as described under “Use of Proceeds,” we would have had approximately \$859.4 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 Bonds would be sufficient to satisfy amounts due on the Bonds and the other debt secured by the mortgaged assets.

***We have no control over the timing or terms of an order by the PUCO ordering us to separate our generation business into a separate legal entity from our distribution and transmission business.***

On September 6, 2013, as a part of its ESP order, the PUCO ordered us to file a revised Corporate Separation Plan by December 31, 2013 and to complete the separation of our generation business on or before May 31, 2017. There can be no assurance of the terms on which the PUCO would authorize the separation of our generation business from our distribution and transmission business. Several regulatory approvals are required in connection with the separation and certain other consents or approvals may be required under other agreements to which we are party, including agreements governing our debt.

## SELECTED FINANCIAL INFORMATION

The selected financial data appearing below is qualified in its entirety by reference to, and should be read in conjunction with, our financial statements and related notes that have been incorporated by reference into this offering memorandum. The selected income statement data for the years ended December 31, 2012, 2011 and 2010, and the selected balance sheet data as of December 31, 2012 has been derived from our audited financial statements incorporated by reference herein. The selected income statement data for the years ended December 31, 2009 and 2008 has been derived from our audited financial statements not included herein. The selected income statement data for the six months ended June 30, 2012 and 2013 and the selected balance sheet data as of June 30, 2013 has been derived from our unaudited financial statements incorporated by reference herein. The unaudited selected financial data, in the opinion of management, reflects all adjustments, including normal recurring items, which are necessary to present fairly, in all material respects, the results of interim periods. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the entire year or for future periods. Additionally, historical audited financial data is not necessarily indicative of future performance.

	Six Months Ended June 30,		Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
(\$ in Millions)							
<b>Income Statement Data:</b>							
Total Revenues . . . . .	\$728.4	\$746.2	\$1,531.8	\$1,677.7	\$1,738.8	\$1,500.8	\$1,520.5
Operating Income . . . . .	98.5	122.0	185.0	319.9	450.2	421.9	436.6
Net Income . . . . .	60.5	69.4	91.2	193.2	277.7	258.9	285.8
Ratio of Earnings to Fixed Charges <sup>(1)</sup> . . . . .	4.8x	5.9x	4.5x	8.2x	11.4x	10.1x	9.8x

(1) The Ratio of Earnings to Fixed Charges represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consists of income before extraordinary items adding back fixed charges and the provision for income taxes. Fixed charges consists of interest on long-term debt, other interest expense and an estimate of the interest portion of all rentals charged to income.

	<u>As of June 30, 2013</u>	<u>As of December 31, 2012</u>
(\$ in Millions)		
<b>Balance Sheet Data:</b>		
Long-Term Debt (including current portion) . . . . .	\$ 903.1	\$ 903.1
Preferred Stock Without Mandatory Redemption Provisions . . . . .	22.9	22.9
Common Shareholder's Equity . . . . .	<u>1,232.1</u>	<u>1,299.1</u>



### **USE OF PROCEEDS**

The net proceeds from the sale of the Bonds are estimated to be approximately \$438.5 million after deducting the discounts and commissions payable to the initial purchasers and other expenses payable by us. We intend to use the net proceeds from this offering and cash on hand to repay at maturity \$470.0 million aggregate principal amount of our First Mortgage Bonds, 5.125% Series Due 2013.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents, capitalization and short-term debt as of June 30, 2013, (i) on an actual basis and (ii) as adjusted to give effect to the consummation of this offering and the application of the proceeds therefrom. This table should be read in conjunction with “Use of Proceeds” in this offering memorandum and our financial statements that are incorporated by reference herein.

	As of June 30, 2013	
	Actual	As Adjusted
	(In millions)	
Cash and cash equivalents <sup>(1)</sup>	\$ 25.4	\$ 25.4
Short-term debt:		
First Mortgage Bonds maturing in October 2013 - 5.125%	\$ 470.0	\$ —
Long-term debt:		
Unsecured revolving credit facility <sup>(2)</sup>	—	—
Pollution control series maturing in January 2028 - 4.7% <sup>(3)</sup>	35.3	35.3
Pollution control series maturing in January 2034 - 4.8% <sup>(3)</sup>	179.1	179.1
Pollution control series maturing in September 2036 - 4.8% <sup>(3)</sup>	100.0	100.0
Pollution control series maturing in November 2040 - variable rate <sup>(3)</sup>	100.0	100.0
U.S. Government note maturing in February 2061 - 4.2%	18.3	18.3
First Mortgage Bonds maturing in September 2016 offered hereby - 1.875%	—	445.0
Total long-term debt	432.7	877.7
Total common shareholder's equity	1,232.1	1,232.1
Total capitalization	\$1,664.8	\$2,109.8

(1) As of August 31, 2013, our cash and cash equivalents was in excess of \$50.0 million.

(2) As of the date of this offering memorandum, our unsecured revolving credit facility remains undrawn.

(3) Each pollution control series represents a series of First Mortgage Bonds that are secured by the same collateral securing the Bonds offered hereby.

## DESCRIPTION OF THE BONDS

### General

The 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 Forty-Seventh Supplemental Indenture relating to the Bonds (collectively referred to as the “Mortgage”).

The statements herein concerning the 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 Bonds will mature on September 15, 2016, and will bear interest from the date of original issuance thereof at the rate per annum set forth in their title, payable semi-annually on March 15 and September 15 of each year to bondholders of record at the close of business on the February 28 and August 31 immediately preceding the interest payment date, the first interest payment date being March 15, 2014. 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 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 Bonds at the rate per annum set forth in its title.

The Bonds will be issued only in denominations of \$1,000 and integral multiples of \$1,000. We will make principal, premium, if any, and interest payments on the Bonds, other than certificated 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 Bonds is the responsibility of DTC participants and indirect participants in DTC, all as described below under “—Book-Entry, Delivery and Form.”

The Bonds will not have the benefit of any sinking fund.

### Optional Redemption

We may redeem the Bonds, in whole or in part, at any time or from time to time prior to maturity, at a redemption price equal to the Make-Whole Amount, as described below, plus accrued and unpaid interest, if any, to the redemption date with respect to the Bonds, or portion thereof, being redeemed.

The “Make-Whole Amount” shall be equal to the greater of (i) 100% of the principal amount of the Bonds being redeemed or (ii) as determined by the Quotation Agent, as described below, as of the redemption date, the sum of the present values of the scheduled payments of principal and interest on such Bonds from the redemption date to the stated maturity date of the Bonds (excluding the portion of any such interest accrued to such redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate, as described below, plus 20 basis points.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using 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. The Treasury Rate shall be calculated on the third business day preceding the redemption date.

“Comparable Treasury Issue” means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the time period from the redemption date to the

stated maturity date of the Bonds 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 time period. If no United States Treasury security has a maturity which is within a period from three months before to three months after the stated maturity date of the Bonds, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated and extrapolated on a straight-line basis, rounding to the nearest month using such securities.

“Quotation Agent” means one of the Reference Treasury Dealers selected by us and appointed to act in such role.

“Reference Treasury Dealer” means (i) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and their successors; provided, however, that if any of the foregoing shall cease to be a primary United States Government securities dealer in New York City (a “Primary Treasury Dealer”), we shall substitute therefor another Primary Treasury Dealer and (ii) up to three other Primary Treasury Dealers selected by us.

“Comparable Treasury Price” means (i) the average of the five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any 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) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Notice of any redemption will be provided at least 20 days but no more than 60 days before the redemption date to each holder of Bonds to be redeemed. If, at the time notice of redemption is given, the redemption monies are not held by the Trustee, the redemption may be made subject to receipt of such monies before the date fixed for redemption, and such notice shall be of no effect unless such monies are so received. Upon payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Bonds or portions thereof called for redemption.

### **Priority and Security**

The Bonds will rank equally and ratably with all other First Mortgage Bonds at any time outstanding under the Mortgage. As of June 30, 2013, after giving effect to the issuance of the Bonds and the use of proceeds therefrom as described under “Use of Proceeds,” we would have had approximately \$859.4 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 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, whichever is less, to us 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 Bonds, create and issue additional First Mortgage Bonds having the same terms and conditions as the Bonds in all respects, except for issue date, issue price and, if applicable, the initial interest payment on the 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 Bonds.

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

- (1) 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;
- (2) against deposits or retirement of prior lien bonds deducted in determining the amount of First Mortgage Bonds issuable upon the basis of property additions;
- (3) upon payment or retirement 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 or retired, or for which money has been so deposited; or
- (4) 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 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 December 31, 2012, the amount (the lesser of cost or fair value) of property additions which we could use as a basis for the issuance of additional First Mortgage Bonds was approximately \$2.39 billion. Under the property additions test, we would have been permitted at December 31, 2012 to issue approximately \$1.43 billion of First Mortgage Bonds. In addition, at such date, approximately \$148.7 million of First Mortgage Bonds would have been permitted to be issued as a result of prior bond retirements. The Bonds will be issued upon the basis of property additions.

### **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 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

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 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 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 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 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 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 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 depository, and registered in the name of the depository or its nominee.

Upon issuance of the global securities, the depository or its nominee will credit, on its book entry registration and transfer system, the number of Bonds sold to QIBs pursuant to Rule 144A represented by such global securities and the number of 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 depository or its nominee participants (the “DTC participants”), including indirectly to the accounts of institutions that have accounts with the Euroclear Bank S.A./N.A., as operator of the Euroclear System and Clearstream Banking, société anonyme, 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 depository 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 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 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 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 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 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 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 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 Bonds or (c) we execute and deliver to the Trustee, an order that the global securities shall be so exchangeable. Any certificated Bonds will be issued only in fully registered form and shall be issued without coupons in minimum denominations of \$1,000 and in integral multiples of \$1,000 in excess thereof. Any certificated Bonds so issued will be registered in such names as the depositary shall request.

Principal, premium, if any, and interest on all certificated 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 Bonds, to use our reasonable best efforts, at our cost, to file, by the date that is 210 days after the date of issuance of the Bonds, and cause to become effective a registration statement with respect to a registered offer to exchange the Bonds for an issue of Bonds of ours ("exchange notes") with terms substantially identical to the Bonds (except that the exchange notes will not be subject to transfer restrictions) and to use reasonable best efforts to consummate the offer to exchange the exchange bonds for the Bonds on or prior to the date that is 300 days after the date of issuance of the Bonds. Upon the exchange offer registration statement being declared effective, we will offer the exchange notes in return for surrender of the 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 Bond surrendered to us under the exchange offer, the holder will receive an exchange note of equal principal amount. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the Bonds so surrendered (or if the exchange note is authenticated between a record date and interest payment date, from such interest payment date) or, if no interest has been paid on the Bonds, from the issue date of the Bonds.

A holder of Bonds that wishes to exchange the Bonds for exchange notes in the exchange offer will be required to represent, among other things, that (i) any exchange notes 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 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 notes for its own account in exchange for the 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 Bonds and to keep the registration statement effective for a period of one year after the issue date of the Bonds, or, if earlier, the date when all 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 Bonds has become effective and take certain other actions as are required to permit resales of the Bonds. A holder that sells its 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 300 days following the issuance of the 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 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 91<sup>st</sup> 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 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 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 (but in no event more than 60 days after commencement) if we have accepted all Bonds validly surrendered in accordance with the terms of the exchange offer. 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."

## UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of U.S. federal income tax consequences of the purchase, ownership and disposition of the Bonds by a Non-U.S. Holder (as defined below) that purchases the Bonds pursuant to this offering. This summary is based upon U.S. federal income tax law in effect on the date of this offering memorandum, which may be subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., financial institutions, certain former citizens and former long-term residents of the United States, “controlled foreign corporations,” and “passive foreign investment companies”), persons that will hold the Bonds as a part of a larger transaction, or partnerships (as described below), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary addresses investors who will hold the Bonds as “capital assets” (generally, property held for investment) under the Internal Revenue Code of 1986, as amended (the “Code”), and does not discuss state, local, or non-U.S. tax considerations. **Each prospective investor is urged to consult its tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of the purchase, ownership and disposition of the Bonds.**

For the purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of the Bonds that, for U.S. federal income tax purposes, is not (i) an individual who is a citizen or resident of the United States, (ii) a partnership or corporation created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all of the substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partnership considering the purchase of the Bonds pursuant to this offering, you are urged to consult your tax advisor.

**To ensure compliance with U.S. Treasury Department Circular 230, holders are hereby notified that: (i) any discussion of U.S. federal tax issues in this offering memorandum is not intended or written to be used, and cannot be used by such holders for the purpose of avoiding penalties that may be imposed on such holders under the Code; (ii) this discussion is being used in connection with the promotion or marketing (within the meaning of Circular 230) of the transactions or matters discussed herein; and (iii) holders should seek advice based on their particular circumstances from an independent tax advisor.**

### Interest income

Payments of interest on the Bonds made to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax provided that (i) such interest is not effectively connected with the conduct of a trade or business within the United States (or, if certain tax treaties apply, such interest is not attributable to a permanent establishment or fixed base maintained within the United States by the Non-U.S. Holder) and (B) such Non-U.S. Holder (1) does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote and (2) is not a controlled foreign corporation that is related to us (within the meaning of the Code) and (ii) certain certification requirements are satisfied. Such certification requirements will be met if (i) the Non-U.S. Holder provides its name and address, and certifies on an Internal Revenue Service (“IRS”) Form W-8BEN (or appropriate substitute form), under penalties of perjury, that it is not a United States person or (ii) a securities clearing organization, bank or certain other financial institutions holding the Bonds on behalf of the Non-U.S. Holder certifies on IRS Form W-8IMY, under penalties of perjury, that the certification referred to in clause (i) has been received by it and furnishes us or our paying agent with a copy thereof. In addition, we or our paying agent must not have actual knowledge or reason to know that the beneficial owner of the Bonds is a United States person or that any of the information, certifications or statements in the IRS Form W-8BEN are incorrect.

If a Non-U.S. Holder cannot satisfy these requirements and interest on the Bonds is not effectively connected with the conduct of a trade or business within the United States, payments of interest generally will be subject to U.S. federal withholding tax at a 30% rate (or a lower applicable treaty rate, provided certain certification requirements are met). If interest on the Bonds is effectively connected with the conduct of a trade or business within the United States by a Non-U.S. Holder (and, if certain tax treaties apply, such interest is attributable to a permanent estab-

lishment or fixed base within the United States), then the Non-U.S. Holder will generally be subject to U.S. federal income tax on the receipt or accrual of such interest on a net income basis in the same manner as if such holder were a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to an additional branch profits tax, currently imposed at a rate of 30% (or a lower applicable treaty rate), on its effectively connected earnings and profits, subject to adjustments. Any such interest will not also be subject to U.S. federal withholding tax, however, if the Non-U.S. Holder delivers to us a properly executed IRS Form W-8ECI in order to claim an exemption from U.S. federal withholding tax.

#### **Sale, exchange, redemption or other taxable disposition**

A Non-U.S. Holder will generally not be subject to U.S. federal income tax (or any withholding thereof) with respect to gain, if any, recognized on the sale, exchange, redemption or other taxable disposition of the Bonds unless (1) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder (and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base of the Non-U.S. Holder within the United States), or (2) in the case of a Non-U.S. Holder that is an individual, such holder is present in the United States for 183 or more days in the taxable year in which such sale, exchange, redemption or other taxable disposition occurs and certain other conditions are satisfied.

Gain that is effectively connected with the conduct of a trade or business in the United States will generally be subject to U.S. federal income tax on a net income basis (but not U.S. withholding tax), in the same manner as if the Non-U.S. Holder were a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to an additional branch profits tax, currently imposed at a rate of 30% (or a lower applicable treaty rate), on its effectively connected earnings and profits, subject to adjustments. An individual Non-U.S. Holder who is subject to U.S. federal income tax because the Non-U.S. Holder was present in the United States for 183 days or more during the year of sale, exchange, redemption, or other disposition of the Bonds will be subject to a flat 30% tax on the gain derived from such sale or other taxable disposition, which may be offset by certain U.S. source capital losses.

#### **Backup withholding and information reporting**

A Non-U.S. Holder will generally be required to comply with certain certification procedures to establish that such holder is not a United States person in order to avoid backup withholding with respect to payments of principal and interest on, or the proceeds from a disposition of, the Bonds. Such requirement will be satisfied if the Non-U.S. Holder delivers the appropriate IRS Form W-8 as described above. In addition, we must report annually to the IRS and to each Non-U.S. Holder the amount of any interest paid to such Non-U.S. Holder regardless of whether any tax was actually withheld. Copies of the information returns reporting such interest payments and the amount withheld may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable tax treaty.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is correctly and timely provided to the IRS.

## PLAN OF DISTRIBUTION

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Fifth Third Securities, Inc., PNC Capital Markets LLC and U.S. Bancorp Investments, Inc. are acting as joint book-running managers of the offering. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC are acting as representatives of the several initial purchasers. Subject to the terms and conditions stated in a purchase agreement among us and the initial purchasers, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the Bonds set forth opposite the initial purchaser's name.

<u>Initial Purchaser</u>	<u>Principal Amount of the Bonds</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated . . . . .	\$ 94,562,500
Morgan Stanley & Co. LLC . . . . .	94,562,500
Fifth Third Securities, Inc. . . . .	66,750,000
PNC Capital Markets LLC . . . . .	66,750,000
U.S. Bancorp Investments, Inc. . . . .	66,750,000
BMO Capital Markets GKST Inc. . . . .	22,250,000
The Huntington Investment Company . . . . .	22,250,000
Regions Securities LLC . . . . .	11,125,000
Total . . . . .	<u>\$445,000,000</u>

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the Bonds sold under the purchase agreement if any of these Bonds are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Bonds, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officers' certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### **Bonds are not Being Registered**

The initial purchasers propose to offer the Bonds for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The initial purchasers will not offer or sell the Bonds except:

- to persons they reasonably believe to be qualified institutional buyers; or
- pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S.

Bonds sold pursuant to Regulation S may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S), except under an exemption from the registration requirements of the Securities Act or under a registration statement declared effective under the Securities Act.

Each purchaser of the Bonds will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

### **New Issue of Bonds**

The Bonds constitute a new issue of securities with no established trading market. We do not intend to apply for listing of the Bonds on any national securities exchange or for quotation of the Bonds on any automated dealer quotation system. The initial purchasers have advised us that they presently intend to make a market in the Bonds after completion of this offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice.

### **Price Stabilization and Short Positions**

In connection with the offering, the initial purchasers may engage in transactions that stabilize the market price of the Bonds. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Bonds. If the initial purchasers create a short position in the Bonds in connection with the offering, i.e., if they sell more Bonds than are listed on the cover page of this offering memorandum, the initial purchasers may reduce that short position by purchasing Bonds in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither we nor the initial purchasers make any representation that we will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Other Relationships**

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, affiliates of the initial purchasers are agents and lenders under certain of our and certain of our affiliates' credit agreements.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities or instruments of ours or our affiliates. If the initial purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the 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 Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The initial purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Settlement**

We expect that the delivery of the Bonds will be made to investors on or about September 19, 2013, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as "T + 5"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Bonds initially settle in T + 5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Bonds who wish to trade the Bonds on the date of pricing or the next succeeding business day should consult their advisors.

## **Selling Restrictions**

### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a “Relevant Member State”), no offer of the Bonds may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,  
provided that no such offer of the Bonds shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any Bonds or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any Bonds being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Bonds acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Bonds to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This offering memorandum has been prepared on the basis that any offer of the Bonds in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Bonds which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Company or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the Bonds in circumstances in which an obligation arises for the Company or the initial purchasers to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any of the Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **Notice to Prospective Investors in the United Kingdom**

In addition, 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.



## TRANSFER RESTRICTIONS

The Bonds have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered hereby only to qualified institutional buyers (“QIBs”) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act and outside the United States to persons other than U.S. persons in reliance on Regulation S under the Securities Act.

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

- (1) It understands and acknowledges that the Bonds have not been registered under the Securities Act or any other applicable securities law, the Bonds are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and none of the Bonds may be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.
- (2) It acknowledges that this offering memorandum relates to an offering that is exempt from registration under the Securities Act and does not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.
- (3) It is either:
  - (a) QIB and is aware that any sale of the Bonds to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB; or
  - (b) an institution that, at the time the buy order for the Bonds is 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 under the Securities Act (an “Initial Foreign Purchaser”).
- (4) It acknowledges that none of us or the initial purchasers or any person representing us or the initial purchasers have made any representation to it with respect to us or the offering or sale of any Bonds, other than the information contained in or incorporated by reference into this offering memorandum or in an additional written communication prepared by us or on our behalf, which offering memorandum and additional written communications, if any, have been delivered to it. Accordingly, it acknowledges that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. It has had access to such financial and other information as it has deemed necessary in connection with its decision to purchase any of the Bonds, including an opportunity to ask questions of and request information from us and the initial purchasers, and it has received and reviewed all information that was requested.
- (5) If it is an Initial Foreign Purchaser, it understands that (a) during the distribution compliance period, which is the 40-day period following the issue date for the Bonds (the “distribution compliance period”), beneficial interests in the Regulation S global security may be transferred only on receipt by the trustee of a certification on behalf of the beneficial owner that the transferee is either (i) not a U.S. person under Regulation S or (ii) a U.S. person who purchased the debt securities in a transaction that did not require registration under the Securities Act.
- (6) It is purchasing the Bonds for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, 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 Bonds pursuant to Rule 144A, Regulation S or any 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 the Bonds, and each subsequent holder of the Bonds by its acceptance thereof will agree, to offer, sell or otherwise transfer such Bonds prior to the date which is six months after the last to occur of the date of the original issue of the Bonds, the issue date of any additional Bonds and the last date on which we or any of our affiliates was the owner of such Bonds (the “Resale Restriction Termination Date”) only (a) to us or any of our subsidiaries, (b) pursuant to a registration statement which has been declared effective under

the Securities Act, (c) for so long as the Bonds are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) 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 or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, 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 prior to any offer, sale or other transfer of the Bonds pursuant to clause (d) prior to the end of the distribution compliance period or pursuant to clause (e) 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. Each purchaser acknowledges that each certificate representing a Bond will contain a legend substantially to the following effect:

**“THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (b) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (c) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF APPLICABLE) OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN CLAUSE (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY.”**

- (7) If it is (a) a purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the Securities Act or (b) a “distributor,” “dealer” or person “receiving a selling concession, fee or other remuneration” in respect of Bonds sold, prior to the expiration of the distribution compliance period, it acknowledges that until the expiration of such “distribution compliance period” any offer or sale of the Bonds shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act.
- (8) If it is an Initial Foreign Purchaser, it acknowledges that, until the expiration of the distribution compliance period, it may not, directly or indirectly, refer, resell, pledge or otherwise transfer a Bond or any interest therein except to a person who certifies in writing to the applicable transfer agent that such transfer satisfies, as

applicable, the requirements of the legends described above and that the Bonds will not be accepted for registration of any transfer prior to the end of the distribution compliance period unless the transferee has first complied with the certification requirements described in this paragraph.

- (9) It acknowledges that we, the initial purchasers and others will rely on the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Bonds are no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring any 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 investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.
- (10) Each purchaser and transferee of a Bond will be deemed to have represented by its purchase and holding of the Bond that (a) its purchase and holding of the Bond is not made on behalf of or with "plan assets" of any plan subject to Title I of ERISA, Section 4975 of the Code or any similar law or (b) its purchase and holding of the Bond will not result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law.

#### **LEGAL MATTERS**

The validity of the Bonds is being passed upon for us by Michael S. Mizell, Senior Vice President and General Counsel of The Dayton Power and Light Company, and by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Certain matters under Ohio law will be passed upon by Porter Wright Morris and Arthur, LLP. The initial purchasers are being advised by Shearman & Sterling LLP, New York, New York.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS**

Our financial statements and schedule as of December 31, 2012 and for the year ended December 31, 2012, incorporated into this offering memorandum by reference to the Annual Report on Form 10-K for the year ended December 31, 2012, have been audited by Ernst & Young LLP, independent registered public accounting firm, as stated in their report appearing therein.

Our financial statements and schedule as of December 31, 2011, and for each of the years in the two-year period ended December 31, 2011, incorporated into this offering memorandum by reference to the Annual Report on Form 10-K for the year ended December 31, 2012, have been audited by KPMG LLP, independent registered public accounting firm, as stated in their report appearing therein.



## **The Dayton Power and Light Company**

**FIRST MORTGAGE BONDS  
1.875% SERIES DUE 2016**

**BofA Merrill Lynch  
Morgan Stanley  
Fifth Third Securities, Inc.  
PNC Capital Markets LLC  
US Bancorp  
BMO Capital Markets  
Huntington Investment Company  
Regions Securities LLC**

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**EXECUTION VERSION**

**THE DAYTON POWER AND LIGHT COMPANY**  
**\$445,000,000 First Mortgage Bonds, 1.875% Series Due 2016**  
**PURCHASE AGREEMENT**

September 12, 2013

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
Morgan Stanley & Co. LLC

c/o Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
One Bryant Park,  
New York, NY 10036

1. Introductory. The Dayton Power and Light Company, an Ohio corporation (the "**Company**"), proposes, subject to the terms and conditions stated herein, to issue and sell to the several purchasers named in Schedule I hereto (the "**Initial Purchasers**," which term, when the context permits, shall also include any purchasers substituted as hereinafter provided in **Section 9**) \$445,000,000 aggregate principal amount of its First Mortgage Bonds, 1.875% Series Due 2016 (the "**Offered Securities**") to be issued under the Forty-Seventh Supplemental Indenture to be dated as of September 19, 2013 (the "**Forty-Seventh Supplemental Indenture**") between the Company and The Bank of New York Mellon, as trustee (the "**Trustee**"), which will supplement the Company's First and Refunding Mortgage dated as of October 1, 1935, from the Company to Irving Trust Company (now The Bank of New York Mellon (formerly The Bank of New York)), as trustee, as previously supplemented, modified and amended (such mortgage, as so supplemented, modified and amended through and including the Forty-Seventh Supplemental Indenture, being referred to herein as the "**Mortgage**"). Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC have agreed to act as representatives of the several Initial Purchasers (the "**Representatives**") in connection with the offering and sale of the Offered Securities. The United States Securities Act of 1933, as amended, is herein referred to as the "**Securities Act**."

The holders of the Offered Securities will be entitled to the benefits of a registration rights agreement, to be dated as of the Closing Date, referred to in **Section 3** (the "**Registration Rights Agreement**"), among the Company and the Initial Purchasers, pursuant to which the Company will agree to file with the Securities and Exchange Commission (the "**Commission**"), under the circumstances set forth therein, (i) a registration statement under the Securities Act relating to another series of debt securities of the Company with terms substantially identical to the Offered Securities (the "**Exchange Securities**") to be offered in exchange for the Offered Securities (the "**Exchange Offer**") and (ii) to the extent required by the Registration Rights Agreement, a shelf registration statement pursuant to Rule 415 of the Securities Act relating to the resale by certain holders of the Offered Securities, and in each case, to use its best efforts to cause such registration statements to be declared effective.

The Company has prepared and delivered to each Initial Purchaser copies of a preliminary offering memorandum dated September 12, 2013 (such preliminary offering memorandum, together with the documents incorporated by reference therein, is hereinafter collectively referred to as the "**Preliminary Offering Document**") and has prepared and will deliver to each Initial Purchaser, on the date hereof or the next succeeding day, copies of a final offering memorandum dated September 12, 2013 (such final offering memorandum, together

with the documents incorporated by reference therein, is hereinafter collectively referred to as the **"Final Offering Document"**), each for use by such Initial Purchaser in connection with its solicitation of purchases of, or offering of, the Offered Securities. **"Offering Document"** means, with respect to any date or time referred to in this Agreement, the most recent offering memorandum (whether the preliminary offering memorandum or the final offering memorandum, or any amendment or supplement to either such document), including exhibits thereto and any documents incorporated therein by reference, which has been prepared and delivered by the Company to the Initial Purchasers in connection with their solicitation of purchases of, or offering of, the Offered Securities.

The Company understands that the Initial Purchasers propose to make an offering of the Offered Securities on the terms and in the manner set forth herein and agrees that the Initial Purchasers may resell, subject to the conditions set forth herein, all or a portion of the Offered Securities to purchasers (**"Subsequent Purchasers"**) at any time after this Agreement has been executed and delivered. The Offered Securities are to be offered and sold through the Initial Purchasers without being registered under the Securities Act, in reliance upon exemptions therefrom. Pursuant to the terms of the Offered Securities and the Mortgage, investors that acquire Offered Securities may only resell or otherwise transfer such Offered Securities if such Offered Securities are hereafter registered under the Securities Act or if an exemption from the registration requirements of the Securities Act is available (including the exemption afforded by Rule 144A (**"Rule 144A"**) or Regulation S (**"Regulation S"**) of the rules and regulations promulgated under the Securities Act by the Commission.

All references in this Agreement to financial statements and schedules and other information which is contained, included or stated in the Offering Document (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which are incorporated by reference in the Offering Document prior to the Applicable Time (as defined below); and all references in this Agreement to amendments or supplements to the Offering Document shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934 (the **"Exchange Act"**) which is incorporated by reference in the Offering Document after the Applicable Time.

2. **Representations and Warranties of the Company.** The Company represents and warrants to each Initial Purchaser as of the date hereof and as of the Closing Date, and agrees with each Initial Purchaser, as follows:

(a) As of the Applicable Time, neither (x) the Preliminary Offering Document as supplemented by the final term sheet, in the form attached hereto as Schedule II (the **"Pricing Supplement"**), that has been prepared and delivered by the Company to the Initial Purchasers in connection with their solicitation of offers to purchase Offered Securities, considered together (collectively, the **"Disclosure Package"**), nor (y) any individual Supplemental Offering Materials (as defined below), when considered together with the Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. **"Applicable Time"** means 2:30 p.m. (Eastern time) on September 12, 2013.

**“Supplemental Offering Materials”** means any “written communication” (within the meaning of the General Rules and Regulations under the Securities Act) prepared by or on behalf of the Company, or used or referred to by the Company, that constitutes an offer to sell or a solicitation of an offer to buy the Offered Securities other than the Offering Document or amendments or supplements thereto (including the Pricing Supplement), including, without limitation, any road show relating to the Offered Securities that constitutes such a written communication; *provided, however*, that no materials shall be deemed Supplemental Offering Materials if the Company shall not have reviewed and approved them prior to their use.

As of its issue date and as of the Closing Date, the Final Offering Document will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representation and warranties in this subsection shall not apply to statements in or omissions from the Disclosure Package or the Final Offering Document made in reliance upon and in conformity with written information furnished to the Company by any Initial Purchaser through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Initial Purchaser through the Representatives consists of the information described as such in Section 7(b) hereof.

(b) Except as disclosed in the Offering Document, on the date of this Agreement, and at the Closing Date, the Company’s Annual Report on Form 10-K most recently filed with the Commission and all reports filed with the Commission since the end of the fiscal year to which such Annual Report relates (collectively, the “Exchange Act Reports”) that have been filed by the Company with the Commission or sent to shareholders pursuant to the Exchange Act, do not and will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder.

(c) The Company has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Ohio, with all requisite corporate power and authority to own its properties and conduct its business as described in the Disclosure Package and the Final Offering Document; the franchises owned by the Company are sufficient authority for it to carry on and transact its business as a public utility; the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not have a material effect on the Company; all of the Company’s issued and outstanding common stock has been duly authorized and validly issued and is fully paid and nonassessable, and all of such common stock is owned by DPL Inc., free from liens, encumbrances and defects; the Company has no subsidiaries; and, based on the Company’s balance sheet as of June 30, 2013, approximately 2.6% of the carrying value of the Company’s physical property and plant was located in the State of Kentucky.



(d) The Mortgage (except for the Forty-Seventh Supplemental Indenture) has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization or similar laws affecting mortgagees' and other creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles (whether considered in a proceeding in equity or at law) of general applicability. The Forty-Seventh Supplemental Indenture has been duly authorized by the Company, and, when executed and delivered by the Company, will be a valid and binding agreement of the Company, enforceable in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization or similar laws affecting mortgagees' and other creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles (whether considered in a proceeding in equity or at law) of general applicability.

(e) Except as contemplated by the Registration Rights Agreement, all consents, approvals, authorizations or orders of, or filings with, any governmental agency or body or any court, including the order of the Public Utilities Commission of Ohio authorizing the issuance and sale of the Offered Securities, which order is in full force and effect and, except for the ability of the Company and the Ohio Consumers' Counsel to appeal or seek rehearing of such order, is not subject to appeal or rehearing, required for the consummation of the transactions contemplated by this Agreement, the Mortgage and the Registration Rights Agreement in connection with the issuance and sale of the Offered Securities by the Company have been obtained.

(f) The execution, delivery and performance of the Mortgage, including the Forty-Seventh Supplemental Indenture and this Agreement and the Registration Rights Agreement, and the issuance and sale of the Offered Securities and compliance with the terms and provisions hereof and thereof by the Company, will not result in a breach or violation of any of the terms and provisions of, or conflict with or constitute a default under, any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its properties, or any agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the properties of the Company is subject, or the articles of incorporation or code of regulations of the Company, and the Company has full power and authority to authorize, issue and sell the Offered Securities as contemplated by this Agreement.

(g) The Offered Securities and the Exchange Securities have been duly authorized and, when the Offered Securities are executed and authenticated in accordance with the provisions of the Mortgage, and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement and when the Exchange Securities are executed and authenticated in accordance with the provisions of the Mortgage and issued and authenticated in accordance with the terms of the Mortgage, the Registration Rights Agreement and the Exchange Offer, the Offered Securities and the Exchange Securities, respectively, will be entitled to the benefits of the Mortgage, including the lien thereof, and will be valid and binding obligations of the Company, in each case enforceable in accordance with their respective terms except as (i) the

enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization or similar laws affecting mortgagees' and other creditors' rights generally and (ii) rights of acceleration, if any, and the availability of equitable remedies may be limited by equitable principles (whether considered in a proceeding in equity or at law) of general applicability.

(h) This Agreement has been duly authorized, executed and delivered by the Company.

(i) The Registration Rights Agreement has been duly authorized by the Company and, when executed and delivered by the Company, will be a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization or similar laws affecting creditors' rights and by general equitable principles (whether considered in a proceeding in equity or at law) and except as the rights to indemnification and contribution thereunder may be limited by federal or state securities laws or public policy.

(j) The Company possesses adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by it and, except as disclosed in the Offering Document, has not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company, would individually or in the aggregate have a material adverse effect on the condition (financial or otherwise), business, properties, assets, liabilities, operations or results of operations of the Company.

(k) Except as set forth in the Disclosure Package and the Final Offering Document, the Company has good and marketable title, free and clear of all liens, claims, encumbrances and restrictions except liens for taxes not yet due and payable, to all property and assets described in the Disclosure Package and the Final Offering Document as being owned by it. All leases to which the Company is a party are valid and binding and no default by the Company, or, to the best of the Company's knowledge, by any other party to any such leases, has occurred or is continuing thereunder, which could result in any material adverse change in the business, financial condition or results of operations of the Company, and the Company enjoys peaceful and undisturbed possession under all such leases to which it is a party as lessee with such exceptions as do not materially interfere with the use made by the Company.

(l) Except as set forth in the Disclosure Package and the Final Offering Document, the Company is in compliance with all applicable federal, state and local environmental (including, without limitation, the Comprehensive Environmental Response, Compensation & Liability Act of 1980, as amended), safety or similar laws, rules and regulations, and there are no costs or liabilities associated with any such law, rule or regulation, except for any such noncompliances, costs or liabilities which, individually or in the aggregate, would not have a material adverse effect on the business, financial condition or results of operations of the Company.

(m) Except as set forth in the Disclosure Package and the Final Offering Document, the Company has not violated any U.S. federal or state law relating to discrimination in the hiring, promotion or pay of employees nor any applicable U.S. federal or state wages and hours laws, or any provisions of the Employee Retirement Income Security Act or the rules and regulations promulgated thereunder, which in each case could result in any material adverse change in the business, financial condition or results of operations of the Company.

(n) Except as set forth in the Disclosure Package and the Final Offering Document, there are no material legal or governmental proceedings pending to which the Company is a party or to which any of its property is the subject, and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated.

(o) Neither the Company nor any affiliate (as such term is defined in Rule 501(b) under the Securities Act (each, an "Affiliate")) of the Company has taken, nor will the Company or any of its Affiliates take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Offered Securities.

(p) The accountants who certified the financial statements, any supporting schedules thereto included in the Disclosure Package and the Final Offering Document, at the time of such certification, were independent registered public accountants with respect to the Company as required by the Securities Act and the rules and regulations promulgated thereunder. The Company's current accountants are independent registered public accountants as required by the Securities Act and the rules and regulations promulgated thereunder. The financial statements, together with related schedules and notes forming part of the Disclosure Package and the Final Offering Document (and any amendment or supplement thereto), present fairly the consolidated financial position, results of operations and statements of cash flow of the Company on the basis stated in the Disclosure Package and the Final Offering Document at the respective dates and for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") consistently applied throughout the periods involved, except as disclosed therein; and the other financial and statistical information and data set forth in the Disclosure Package and the Final Offering Document (and any amendment or supplement thereto), in all material respects, present fairly the information shown thereby at the respective dates or for the respective periods to which they apply and have been prepared on a basis consistent with such financial statements and the books and records of the Company.

(q) Except as disclosed in the Offering Document, since the date of the latest audited financial statements included in the Offering Document, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), business, properties, assets, liabilities, operations or results of operations of the Company.

(r) Any statistical and market-related data included in the Disclosure Package and the Final Offering Document are based on or derived from sources that the Company believes to be reliable and accurate.

(s) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; the Company employs disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer to allow timely decisions regarding disclosure.

(t) The Company is in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act of 2002.

(u) The Company carries or is entitled to the benefits of insurance, with financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a material adverse change. The Company has not been denied any insurance coverage which it has sought or for which it has applied.

(v) The Company is not an open-end investment company, unit investment trust or face-amount certificate company that is, or is required to be, registered under Section 8 of the United States Investment Company Act of 1940 (the "Investment Company Act"); and the Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the net proceeds thereof as described in the Offering Document, will not be an "investment company" as defined in the Investment Company Act.

(w) The Offered Securities satisfy the requirements set forth in Rule 144A(d)(3) under the Securities Act.

(x) Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf (i) has, within the six-month period prior to the date hereof, offered or sold in the United States or to any U.S. person (as such terms are defined in Regulation S), the Offered Securities or any security of the same class or series as the Offered Securities or (ii) has offered or will offer or sell the Offered Securities (A) in the United States by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act or (B) with respect to any such securities sold in reliance on Rule 903 of Regulation S by means of any directed selling efforts within the meaning of Rule 902(c) of Regulation S. The Company, its Affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S. The Company has not entered

and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for this Agreement and the Registration Rights Agreement.

(y) The offer and sale of the Offered Securities in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof, Rule 144A and Regulation S, and it is not necessary to qualify an indenture in respect of the Offered Securities under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

(z) None of the Company or, to the best of the Company's knowledge, any director, officer, agent, employee or Affiliate of the Company is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the FCPA, including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA, and the Company has conducted its businesses in compliance with the FCPA and has instituted and maintains policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

"FCPA" means Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

(aa) The operations of the Company are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the best of the Company's knowledge, threatened.

(bb) Neither the Company nor, to the best of the Company's knowledge, any director, officer, agent, employee or Affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(cc) Except as permitted by the Securities Act, the Company has not distributed and, prior to the later to occur of the Closing Date and completion of the distribution of the Offered Securities, will not distribute any offering material in connection with the offering

and sale of the Offered Securities other than the Preliminary Offering Document and the Final Offering Document.

3. Purchase, Sale and Delivery of Offered Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Initial Purchasers, and each of the Initial Purchasers, severally and not jointly, agrees to purchase from the Company, at a purchase price of \*% of the principal amount thereof, the principal amount of Offered Securities set forth opposite the name of such Initial Purchaser on Schedule I hereto.

The Company will deliver against payment of the purchase price the Offered Securities in the form of one or more permanent global securities in registered form without interest coupons (the "Global Securities") which will be deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC. The Company will cooperate with the Initial Purchasers and use its best efforts to permit the Offered Securities to be eligible for clearance and settlement through the facilities of DTC. Interests in any Global Securities will be held only in book-entry form through DTC, except in the limited circumstances described in the Offering Document. Payment for the Offered Securities shall be made by the Initial Purchasers in Federal (same day) funds by wire transfer to an account at a bank acceptable to the Company drawn to the order of the Company at the office of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022 LLP at 9:30 a.m. (New York time), on September 19, 2013 or at such other time not later than seven full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the "Closing Date," against delivery to the Trustee as custodian for DTC of the Global Securities representing all of the Offered Securities. The Global Securities will be made available for checking at the above office of Shearman & Sterling LLP at least 24 hours prior to the Closing Date.

4. Subsequent Offers and Resales of the Offered Securities. Each of the Initial Purchasers and the Company hereby establish and agree to observe the following procedures in connection with the offer and sale of the Offered Securities:

(a) Offers and sales of the Offered Securities shall be made to such persons and in such manner as is contemplated by the Offering Document. Each Initial Purchaser severally agrees that it will not offer, sell or deliver any of the Offered Securities in any jurisdiction outside the United States except under circumstances that will result in compliance with the applicable laws thereof, and that it will take at its own expense whatever action is required to permit its purchase and resale of the Offered Securities in such jurisdictions.

(b) No general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) will be used in the United States in connection with the offering or sale of the Offered Securities.

(c) In the case of a non-bank Subsequent Purchaser of Offered Securities acting as a fiduciary for one or more third parties, each third party shall, in the judgment of the applicable Initial Purchaser, be a "qualified institutional buyer" within the meaning of Rule 144A

under the Securities Act (a **"Qualified Institutional Buyer"**) or a non-U.S. person outside the United States.

(d) Each Initial Purchaser will take reasonable steps to inform, and cause each of its U.S. Affiliates to take reasonable steps to inform, persons acquiring Offered Securities from such Initial Purchaser or Affiliate, as the case may be, in the United States that the Offered Securities (A) have not been and will not be registered under the Securities Act, (B) are being sold to them without registration under the Securities Act in reliance on Rule 144A or in accordance with another exemption from registration under the Securities Act, as the case may be, and (C) may not be offered, sold or otherwise transferred except (1) to the Company or one of its Affiliates, (2) outside the United States in accordance with Regulation S, or (3) inside the United States in accordance with (x) Rule 144A to a person whom the seller reasonably believes is a Qualified Institutional Buyer that is purchasing such Offered Securities for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A or (y) pursuant to another available exemption from registration under the Securities Act.

(e) No sale of the Offered Securities to any one Subsequent Purchaser will be for less than U.S. \$1,000 principal amount and no Offered Securities will be issued in a smaller principal amount. If the Subsequent Purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S. \$1,000 principal amount of the Offered Securities.

5. Certain Agreements of the Company. The Company covenants and agrees with the several Initial Purchasers that:

(a) The Company will immediately notify each Initial Purchaser, and confirm such notice in writing, which written notice may be given electronically, of (x) any filing made by the Company of information relating to the offering of the Offered Securities with any securities exchange or any other regulatory body in the United States or any other jurisdiction and (y) prior to the completion of the placement of the Offered Securities by the Initial Purchasers as evidenced by a notice in writing from the Initial Purchasers to the Company, any material changes in or affecting the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company, which (i) make any statement in the Disclosure Package, the Offering Document or any Supplemental Offering Material false or misleading or (ii) are not disclosed in the Disclosure Package or the Offering Document. In such event or if during such time any event shall occur as a result of which it is necessary, in the reasonable opinion of any of the Company, its counsel, the Initial Purchasers or counsel for the Initial Purchasers, to amend or supplement the Offering Document in order that the Offering Document not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances then existing, the Company will forthwith amend or supplement the Offering Document by preparing and furnishing to each Initial Purchaser an amendment or amendments of, or a supplement or supplements to, the Offering Document (in form and substance satisfactory in the reasonable opinion of counsel for the Initial Purchasers) so that, as so amended or supplemented, the Offering Document will not include an untrue statement of a material fact or omit to state a

material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a Subsequent Purchaser, not misleading.

(b) The Company will advise each Initial Purchaser promptly of any proposal to amend or supplement the Offering Document and will not effect such amendment or supplement without the consent of the Representatives. Neither the consent of the Initial Purchasers, nor the Initial Purchaser's delivery of any such amendment or supplement, shall constitute a waiver of any of the conditions set forth in Section 6 hereof. The Company will prepare the Pricing Supplement, in form and substance reasonably satisfactory to the Representatives, and shall furnish prior to the Applicable Time to each Initial Purchaser, without charge, as many copies of the Pricing Supplement as such Initial Purchaser may reasonably request.

(c) The Company represents and agrees that, unless it obtains the prior consent of the Representatives, it has not made and will not make any offer relating to the Offered Securities by means of any Supplemental Offering Materials.

(d) The Company will furnish to the Initial Purchasers copies of the Offering Document and all amendments and supplements to such document, in each case as soon as available and in such quantities as the Initial Purchasers reasonably request. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, as long as the Offered Securities are outstanding and "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will promptly furnish or cause to be furnished to the Initial Purchasers and, upon request of holders and prospective purchasers of the Offered Securities, to such holders and prospective purchasers, copies of the information required to be delivered to holders and prospective purchasers of the Offered Securities pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holders of the Offered Securities. The Company will pay the expenses of printing and distributing to the Initial Purchasers or any such holders all such documents.

(e) The Company will arrange for the qualification of the Offered Securities for sale under the laws of such jurisdictions in the United States as the Initial Purchasers designate and will continue such qualifications in effect so long as required for the resale of the Offered Securities by the Initial Purchasers, but the Company will not be required to qualify as a foreign corporation or to file a general consent to service of process in any such state.

(f) The Company will use the net proceeds received by it from the sale of the Offered Securities in the manner specified in the Offering Document under "Use of Proceeds."

(g) Until the maturity of the Offered Securities, the Company will furnish to the Initial Purchasers, as soon as practicable after the end of each fiscal year, a copy of its annual report to shareholders for such year; and the Company will furnish to the Initial Purchasers (i) as soon as available, a copy of each report and any definitive proxy statement (if any) of the Company filed with the Commission under the Exchange Act or mailed to shareholders, and (ii) from time to time, such other information concerning the Company as such Initial Purchasers



may reasonably request; provided in all cases that such information is not otherwise readily available through the Internet on either the Company's website or the Commission's website.

(h) During the period of two years after the Closing Date, the Company will, upon request, furnish to the Initial Purchasers and any holder of Offered Securities a copy of the restrictions on transfer applicable to the Offered Securities.

(i) Until the expiration of one year after the original issuance of the Offered Securities, the Company will not, and will cause its Affiliates not to, resell any Offered Securities which are restricted securities (as such term is defined under Rule 144(a)(3) under the Securities Act), whether as beneficial owner or otherwise (except as agent acting as a securities broker on behalf of and for the account of customers in the ordinary course of business in unsolicited broker's transactions).

(j) During the period of two years after the Closing Date, the Company will not be or become an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act.

(k) The Company will pay all expenses incidental to the performance of its obligations under this Agreement, the Mortgage and the Registration Rights Agreement including (i) the fees and expenses of the Trustee and its professional advisors; (ii) all expenses in connection with the execution, issue, authentication, packaging and initial delivery of the Offered Securities, the preparation and printing of this Agreement, the Registration Rights Agreement, the Offered Securities, the Mortgage, the Preliminary Offering Document, the Final Offering Document and any amendments and supplements thereto, and any other document relating to the issuance, offer, sale and delivery of the Offered Securities; (iii) the costs and expenses of the Company relating to investor presentations on any road show undertaken in connection with the marketing of the Offered Securities including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants approved by the Company in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of aircraft and other transportation chartered in connection with the road show; (iv) any fees charged by investment rating agencies for the rating of the Offered Securities; (v) expenses incurred in distributing the Preliminary Offering Document and the Final Offering Document (including any amendments and supplements thereto) to the Initial Purchasers; (vi) the fees and expenses associated with the qualification of the Offered Securities under state securities laws, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection therewith and in connection with the preparation of the blue sky survey and any supplement thereto; and (vii) the fees and disbursements of the Company's counsel, accountants and other advisors.

(l) In connection with the offering and sale of the Offered Securities, until the Initial Purchasers have notified the Company of the completion of the resale of the Offered Securities, neither the Company nor any of its Affiliates has or will, either alone or with one or more other persons, bid for or purchase for any account in which it or any of its Affiliates has a beneficial interest any Offered Securities or attempt to induce any person to purchase any

Offered Securities; and neither it nor any of its Affiliates will make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising the price of, the Offered Securities.

(m) During the period from the date of this Agreement to the Closing Date, the Company will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, United States dollar-denominated debt securities issued or guaranteed by the Company and having a maturity of more than one year from the date of issue or securities of the Company that are convertible into, or exchangeable for, the Offered Securities or such other debt securities (or warrants, rights or options to purchase the foregoing), without the consent of the Representatives, other than as contemplated by this Agreement with respect to the Offered Securities.

(n) The Company agrees that it will not and will cause its Affiliates not to, directly or indirectly, solicit any offer to buy, sell or make any offer or sale of, or otherwise negotiate in respect of, securities of the Company of any class if, as a result of the doctrine of "integration" referred to in Rule 502 under the Securities Act, such offer or sale would render invalid (for the purpose of (i) the sale of the Offered Securities by the Company to the Initial Purchasers, (ii) the resale of the Offered Securities by the Initial Purchasers to Subsequent Purchasers or (iii) the resale of the Offered Securities by such Subsequent Purchasers to others) the exemption from the registration requirements of the Exchange Act provided by Section 4(2) thereof or by Rule 144A or by Regulation S thereunder or otherwise.

(o) As soon as practicable after the Closing Date, the Company will make all recordings, registrations and filings necessary to perfect and preserve the lien of the Mortgage and the rights under the Forty-Seventh Supplemental Indenture, and the Company will use its best efforts to cause to be furnished to the Initial Purchasers a supplemental opinion of counsel for the Company, addressed to the Initial Purchasers, stating that all such recordings, registrations and filings have been made.

6. Conditions of the Obligation of the Initial Purchasers. The obligations of the several Initial Purchasers to purchase and pay for the Offered Securities will be subject to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of officers of the Company made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) At the time of the execution of this Agreement, the Representatives shall have received letters from Ernst & Young LLP and KPMG LLP dated such date, in form and substance satisfactory to the Representatives, together with signed or reproduced copies of such letters for each of the other Initial Purchasers containing statements and information of the type ordinarily included in accountants comfort letters to Initial Purchasers with respect to the financial statements and certain financial information contained in the Offering Document.

(b) At the Closing Date, the Representatives shall have received letters from Ernst & Young LLP and KPMG LLP, dated as of the Closing Date, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (a) of this Section,

except that the specified date referred to shall be a date not more than three business days prior to the Closing Date.

(c) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or otherwise), business, properties, assets, liabilities, operations or results of operations of the Company which, in the judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to proceed with completion of the offering or the delivery of and payment for the Offered Securities; (ii) any downgrading in the rating of any debt securities or preferred stock of the Company, by any "nationally recognized statistical rating organization" (as that term is defined in Section 3(a)(62) of the Exchange Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities or preferred stock of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) any material suspension or limitation of trading in securities generally on the New York Stock Exchange or any setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (iv) any banking moratorium declared by U.S. Federal or New York authorities or any material disruption in commercial banking or securities settlement or clearance services in the United States; or (v) any outbreak or escalation of hostilities in which the United States is involved, any declaration by the United States of a national emergency or war or any other substantial national or international calamity or emergency or change in financial, political or economic conditions in the United States or elsewhere having, in each case, a material adverse effect on the financial markets of the United States if, in the judgment of the Representatives, the effect of any such outbreak, escalation, declaration, calamity, emergency or change makes it impractical or inadvisable to proceed with completion of the offering or delivery of and payment for the Offered Securities.

(d) At the Closing Date, the Representatives shall have received the opinions and letter, dated as of the Closing Date, of Michael S. Mizell, Senior Vice President and General Counsel of the Company, together with signed or reproduced copies of such opinions and letter for each of the other Initial Purchasers in a form reasonably satisfactory to the Representatives.

(e) At the Closing Date, the Representatives shall have received the opinions and letter, dated as of the Closing Date, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Company, together with signed or reproduced copies of such opinions and letter for each of the other Initial Purchasers in a form reasonably satisfactory to the Representatives.

(f) At the Closing Date, the Representatives shall have received the opinions, dated as of the Closing Date, of Porter Wright Morris & Arthur LLP, counsel for the Company, together with signed or reproduced copies of such opinions for each of the other Initial Purchasers in a form reasonably satisfactory to the Representatives.

(g) At the Closing Date, the Representatives shall have received the favorable opinion, dated as of the Closing Date, of Shearman & Sterling LLP, counsel for the Initial Purchasers. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United

States, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and certificates of public officials.

(h) The Representatives shall have received a certificate, dated the Closing Date, of the President or any Senior Vice President and the principal financial or accounting officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though expressly made on and as of the Closing Date, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date, and that, subsequent to the respective dates of the most recent financial statements in the Offering Document, as amended or supplemented, there has been no material adverse change, nor any other development or event involving a prospective material adverse change, in the condition (financial or otherwise), business, properties, assets, liabilities, operations or results of operations of the Company, except as set forth in or contemplated by the Offering Document.

(i) Prior to the Closing Date, the Initial Purchasers shall have received from the Company evidence reasonably satisfactory to the Initial Purchasers that the Offered Securities have received ratings of Baa1 or better from Moody's Investors Services, Inc. and BBB- or better from Standard & Poor's Ratings Services.

(j) At the Closing Date, there shall have been issued and there shall be in full force and effect and not subject to appeal or rehearing (except for the ability of the Company and the Ohio Consumer's Counsel to appeal or seek rehearing), to the extent legally required for the issuance and sale of the Offered Securities, an order of the Public Utilities Commission of Ohio authorizing the issuance and sale of the Offered Securities on the terms set forth in, or contemplated by, this Agreement and the Offering Document.

The Company will furnish the Initial Purchasers with such conformed copies of such opinions, certificates, letters and documents as the Initial Purchasers reasonably request. The Initial Purchasers may in their sole discretion waive compliance with any conditions to the obligations of the Company hereunder. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives by notice to the Company at any time at or prior to the Closing Date.

## **7. Indemnification and Contribution.**

(a) The Company agrees to indemnify and hold harmless each Initial Purchaser, its Affiliates, its selling agents and each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Document, the Disclosure Package, the Final Offering Document (or any amendment or supplement thereto) or any Supplemental

Offering Materials, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the Representatives), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

*provided, however*, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Initial Purchaser through the Representatives expressly for use in any Preliminary Offering Document, the Disclosure Package, the Final Offering Document (or any amendment or supplement thereto) or in any Supplemental Offering Materials, it being understood and agreed that the only such information furnished by any Initial Purchaser through the Representatives consists of the information described as such in Section 7(b) hereof.

(b) Each Initial Purchaser, severally and not jointly, agrees to indemnify and hold harmless the Company, and each person, if any, who controls the Company, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in any Preliminary Offering Document, the Disclosure Package, the Final Offering Document or any Supplemental Offering Materials in reliance upon and in conformity with written information furnished to the Company by such Initial Purchaser through the Representatives expressly for use therein. The Company hereby acknowledges that the only information furnished to the Company by any Initial Purchaser through the Representatives expressly for use in any Supplemental Offering Materials, the Disclosure Package or the Final Offering Document (or any amendment or supplement thereto) are the statements set forth in the third sentence under the subsection "New Issue of Bonds" and the first paragraph of the subsection "Price Stabilization and Short Positions," all under the section "Plan of Distribution" in the Preliminary Offering Document and the Final Offering Document.

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not

relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to **Section 7(a)** above, counsel to the indemnified parties shall be selected by the Representatives, and, in the case of parties indemnified pursuant to **Section 7(b)** above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; *provided, however*, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by **Section 7(a)(ii)** effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) (i) If the indemnification provided for in this **Section 7** hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (x) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand from the offering of the Offered Securities pursuant to this Agreement or (y) if the allocation provided by clause (x) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (x) above but also the relative fault of the Company on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

(ii) The relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Offered

Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Offered Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Initial Purchasers, bear to the aggregate initial offering price of the Offered Securities.

(iii) The relative fault of the Company on the one hand and the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or by the Initial Purchasers on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(iv) The Company and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

(v) Notwithstanding the provisions of this Section, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities purchased and sold by it hereunder exceeds the amount of any damages which such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(vi) No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(vii) For purposes of this Section, each person, if any, who controls an Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each Initial Purchaser's Affiliates and selling agents shall have the same rights to contribution as such Initial Purchaser, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Initial Purchasers' respective obligations to contribute pursuant to this Section (e) are several in proportion to the principal amount of Offered Securities set forth opposite their respective names in Schedule A hereto and not joint.

8. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the Initial Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Initial Purchasers, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If the purchase of the Offered Securities by the Initial Purchasers is not consummated for any reason, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5(k) and the respective obligations of the Company and the Initial Purchasers pursuant to Section 7 shall remain in effect. If this Agreement is terminated by the Initial Purchasers, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company is unable to perform its obligations under this Agreement (except for the occurrence of an event specified in Section 6(c)(iii) (other than with respect to the Company's securities), (iv) or (v)), the Company will reimburse the Initial Purchasers or such Initial Purchasers as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Initial Purchasers in connection with this Agreement or the offering contemplated hereunder.

9. Effectiveness; Default by the Initial Purchasers. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date, any one or more of the Initial Purchasers fails or refuses to purchase Offered Securities that it or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Offered Securities that such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of Offered Securities to be purchased on such date, the other Initial Purchasers shall be obligated severally in the proportions that the principal amount of Offered Securities set forth opposite their respective names in Schedule I bears to the aggregate principal amount of Offered Securities set forth opposite the names of all such non-defaulting Initial Purchasers, or in such other proportions as such non-defaulting Initial Purchasers may specify, to purchase the Offered Securities that such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase on such date; *provided* that in no event shall the principal amount of Offered Securities that any Initial Purchaser has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 9 by an amount in excess of one-ninth of such principal amount of Offered Securities without the written consent of such Initial Purchaser. If, on the Closing Date, any Initial Purchaser or Initial Purchasers fail or refuse to purchase Offered Securities that it or they have agreed to purchase hereunder on such date and the aggregate principal amount of Offered Securities with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Offered Securities to be purchased on such date, and arrangements satisfactory to the non-defaulting Initial Purchasers and the Company for the purchase of such Offered Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser or of the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Offering Document or in any other documents or arrangements may be effected. Any



action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

10. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Initial Purchasers shall be directed to the Representatives care of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 50 Rockefeller Plaza, NY1-050-12-01, New York, New York 10020, Facsimile: 646-855-5958, Attention: High Grade Transaction Management/Legal; Morgan Stanley & Co. LLC, 1585 Broadway, New York, NY 10036, Facsimile: 212-761-0538 with a copy to Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Facsimile: 646-848-7711, Attention: David Beveridge. Notices to the Company shall be directed to The Dayton Power and Light Company, 1065 Woodman Drive, Dayton, Ohio, Facsimile: 317-630-0609, Attention: Timothy G. Rice.

11. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder, except that holders of Offered Securities shall be entitled to enforce the agreements for their benefit contained in the second and third sentences of Section 5(d) hereof against the Company as if such holders were parties hereto.

12. No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that (a) the purchase and sale of the Offered Securities pursuant to this Agreement, including the determination of the offering price of the Offered Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Initial Purchasers, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction each Initial Purchaser is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, creditors, employees or any other party, (c) no Initial Purchaser has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Initial Purchaser has advised or is currently advising the Company on other matters) and no Initial Purchaser has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Initial Purchasers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (e) the Initial Purchasers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

14. Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

The Company hereby submits to the nonexclusive jurisdiction of the Federal and state courts of competent jurisdiction in the Borough of Manhattan in the City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

If the foregoing is in accordance with the Initial Purchasers' understanding of our agreement, kindly sign and return to us one of the counterparts hereof, whereupon it will become a binding agreement between the Company and the Initial Purchasers in accordance with its terms.

Very truly yours,

THE DAYTON POWER AND LIGHT  
COMPANY

By: /s/ Jeffrey K. MacKay

Name: Jeffrey K. MacKay

Title: Vice President and Treasurer

The foregoing Purchase Agreement is  
hereby confirmed and accepted as  
of the date first above written.

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED  
MORGAN STANLEY & CO. LLC  
FIFTH THIRD SECURITIES, INC.  
PNC CAPITAL MARKETS LLC  
U.S. BANCORP INVESTMENTS, INC.  
BMO CAPITAL MARKETS GKST INC.  
THE HUNTINGTON INVESTMENT COMPANY  
REGIONS SECURITIES LLC

By: MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By: /s/ David E. Mikula  
Name: David E. Mikula  
Title: Managing Director

By: MORGAN STANLEY & CO. LLC

By: /s/ Yuriy Slyz  
Name: Yuriy Slyz  
Title: Executive Director

SCHEDULE I

<u>Initial Purchasers</u>	<u>Principal Amount of Offered Securities to be Purchased</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$ 94,562,500
Morgan Stanley & Co. LLC	94,562,500
Fifth Third Securities, Inc.	66,750,000
PNC Capital Markets LLC	66,750,000
U.S. Bancorp Investments, Inc.	66,750,000
BMO Capital Markets GKST Inc.	22,250,000
The Huntington Investment Company	22,250,000
Regions Securities LLC	<u>11,125,000</u>
Total:	<u>\$445,000,000</u>

**THE DAYTON POWER AND LIGHT COMPANY**

**AND**

**THE BANK OF NEW YORK MELLON**  
**(formerly The Bank of New York**  
**(formerly Irving Trust Company))**  
*Trustee*

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**Forty-Seventh Supplemental Indenture**

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**Dated as of September 1, 2013**

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**THE DAYTON POWER AND LIGHT COMPANY**

**FORTY-SEVENTH SUPPLEMENTAL INDENTURE DATED AS OF SEPTEMBER 1, 2013**

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FORTY-SEVENTH SUPPLEMENTAL INDENTURE, dated as of September 1, 2013, between THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter sometimes called the Company), party of the first part, and THE BANK OF NEW YORK MELLON (formerly The Bank of New York (formerly Irving Trust Company)), a corporation of the State of New York (hereinafter sometimes called the Trustee), as Trustee, party of the second part.

WHEREAS, the Company has heretofore executed and delivered to Irving Trust Company (now The Bank of New York Mellon) a certain Indenture, dated as of October 1, 1935 (hereinafter sometimes called the First Mortgage), to secure the payment of the principal of and interest on an issue of bonds of the Company, unlimited in aggregate principal amount (hereinafter sometimes called the Bonds); and

WHEREAS, the Company has issued under the First Mortgage its Bonds of a series known as the First and Refunding Mortgage Bonds, 3½% Series Due 1960, authorized in unlimited aggregate principal amount, all of which have been redeemed or otherwise retired; and

WHEREAS, in Article Two of the First Mortgage it is provided in substance, among other things, that the Bonds may be issued in series, the Bonds of each series maturing on such dates and bearing interest at such rates, respectively, as the Board of Directors of the Company may determine prior to the authentication thereof; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee forty-six Supplemental Indentures numbered, dated and, except as set forth below, providing for their respective series of First Mortgage Bonds, all as set forth in the tabulation below:

Supplemental Indenture	Dated As Of	Series Provided For	Principal Amount Outstanding
First	March 1, 1937	3¼% Series Due 1962	None
Second	January 1, 1940	3% Series Due 1970	None
Third	October 1, 1945	2¾% Series Due 1975	None
Fourth	January 1, 1948	3% Series Due 1978	None
Fifth	December 1, 1948	3% Series A Due 1978	None
Sixth	February 1, 1952	3¼% Series Due 1982	None
Seventh	September 1, 1954	3% Series Due 1984	None
Eighth	November 1, 1957	5% Series Due 1987	None
Ninth	March 1, 1960	5¼% Series Due 1990	None
Tenth	June 1, 1963	4.45% Series Due 1993	None
Eleventh	May 1, 1967	5¼% Series Due 1997	None
Twelfth	June 15, 1968	6¼% Series Due 1998	None
Thirteenth	October 1, 1969	8¼% Series Due 1999	None
Fourteenth	June 1, 1970	9½% Series Due 2000	None
Fifteenth	August 1, 1971	8% Series Due 2001	None
Sixteenth	October 3, 1972	None issued	None
Seventeenth	November 1, 1973	8% Series Due 2003	None
Eighteenth	October 1, 1974	10¼% Series Due 1981	None
Nineteenth	August 1, 1975	10.70% Series Due 2005	None
Twentieth	November 15, 1976	8¼% Series Due 2006	None
Twenty-First	April 15, 1977	6.35% Series Due 2007	None

Twenty-Second	October 15, 1977	8¼% Series Due 2007	None
Twenty-Third	April 1, 1978	8.95% Series Due 1998	None
Twenty-Fourth	November 1, 1978	9¼% Series Due 2003	None
Twenty-Fifth	August 1, 1979	10¼% Series Due 1999	None
Twenty-Sixth	December 1, 1979	12¼% Series Due 2009	None
Twenty-Seventh	February 1, 1981	14¼% Series Due 1988	None
Twenty-Eighth	February 18, 1981	14¼% Series Due 1988	None
Twenty-Ninth	September 1, 1981	17% Series Due 1991	None
Thirtieth	March 1, 1982	16¼% Series Due 2012	None
Thirty-First	November 1, 1982	11½% Series Due 2012-A	None
Thirty-Second	November 1, 1982	11¼% Series Due 2012-B	None
Thirty-Third	December 1, 1985	9½% Series Due 2015	None
Thirty-Fourth	April 1, 1986	9% Series Due 2016	None
Thirty-Fifth	December 1, 1986	8¼% Series Due 2016	None
Thirty-Sixth	August 15, 1992	6.40% Pollution Control Series 1992-A Due 2027	None
		6.40% Pollution Control Series 1992-B Due 2027	None
		6.50% Pollution Control Series 1992-C Due 2022	None
Thirty-Seventh	November 15, 1992	8.40% Series Due 2022	None
Thirty-Eighth	November 15, 1992	8.15% Series Due 2026	None
Thirty-Ninth	January 15, 1993	7¼% Series Due 2024	None
Fortieth	February 15, 1993	None issued	None
Forty-First	February 1, 1999	5.125% Series Due 2013	\$470,000,000
Forty-Second	September 1, 2003	4.80% Pollution Control Series 2005-A Due 2034	\$41,300,000
Forty-Third	August 1, 2005	4.80% Pollution Control Series 2005-B Due 2034	\$137,800,000
		4.70% Pollution Control Series 2005-C Due 2028	\$35,275,000
		4.80% Pollution Control Series 2006 Due 2036	\$100,000,000
Forty-Fourth	September 1, 2006	Variable Rate Pollution Control Series 2007 Due 2040	None
Forty-Fifth	November 1, 2007	Variable Rate Pollution Control Series 2008-A Due 2040	\$50,000,000
Forty-Sixth	December 1, 2008	Variable Rate Pollution Control Series 2008-B Due 2040	\$50,000,000

WHEREAS, said Eleventh Supplemental Indenture, which created the 5¼% Series Due 1997, provided in its Article Three for certain amendments to the First Mortgage, as theretofore amended, each such amendment to become effective on the earliest date on which either (a) there shall not be any Bonds outstanding of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, or Series Due 1993, or (b) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendment (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (a), or of each said series of which Bonds are then outstanding; and

WHEREAS, said Fifteenth Supplemental Indenture, which created the 8¼% Series Due 2001, provided (a) in its Article Four for an amendment to the First Mortgage, as theretofore amended, to become effective on the date on which the amendments provided for by Section 3 of Article Three of said Eleventh Supplemental Indenture shall become effective and (b) in its Article Five for certain additional amendments to the First Mortgage, as theretofore amended, to become effective on the earliest date on which either (i) there shall not be any Bonds outstanding of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, Series Due 1993, Series Due 1997, Series Due 1998, Series Due 1999, or Series Due 2000, or (ii) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendments (either alone or with other amendments) consented to by the

holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (i), or of each said series of which Bonds are then outstanding; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee a Sixteenth Supplemental Indenture dated as of October 3, 1972, which provided in its Article One for an amendment of Article Five of the First Mortgage, as theretofore amended, altering the requirements for the opinion of counsel to be delivered to the Trustee as a condition precedent to the authentication and delivery of additional Bonds under Article Five or the withdrawal of cash under Article Seven of the First Mortgage, as theretofore amended; and

WHEREAS, none of the Bonds of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, or Series Due 1993 remain outstanding and the amendments contained in said Eleventh Supplemental Indenture have become effective; and

WHEREAS, none of the Bonds of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, Series Due 1993, Series Due 1997, Series Due 1998, Series Due 1999, or Series Due 2000 remain outstanding and the amendments contained in said Fifteenth Supplemental Indenture that did not theretofore become effective by virtue of the Sixteenth Supplemental Indenture have become effective; and

WHEREAS, said Forty-Second Supplemental Indenture, which created the 51/8% Series Due 2013, provided in its Article Two for certain amendments to the First Mortgage, as theretofore amended, to become effective on the earliest date on which either (i) there shall not be any Bonds outstanding of 6.35% Series Due 2007, Pollution Control Series 1992-A Due 2027, Pollution Control Series 1992-B Due 2027, Pollution Control Series 1992-C Due 2022, Series Due 2026 and Series Due 2024, or (ii) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendment (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (i); and

WHEREAS, none of the Bonds of 6.35% Series Due 2007, Pollution Control Series 1992-A Due 2027, Pollution Control Series 1992-B Due 2027, Pollution Control Series 1992-C Due 2022, Series Due 2026 and Series Due 2024 remain outstanding and the amendments contained in said Forty-Second Supplemental Indenture have become effective; and

WHEREAS, the First Mortgage as amended by the First through the Forty-Sixth Supplemental Indentures is hereinafter called the First Mortgage as amended; and

WHEREAS, it is provided in Article Seven of the First Mortgage as amended, among other things, that the Company may issue additional Bonds thereunder upon the deposit with the Trustee of cash equal to the principal amount of such additional Bonds to be issued; it is provided in Article Six of the First Mortgage as amended, among other things, that if Bonds are paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation (except when canceled pursuant to certain provisions of the First Mortgage as amended), the Company may issue additional Bonds thereunder in principal amount equivalent to the principal amount of the

Bonds so paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation; it is provided in Article Five of the First Mortgage as amended, among other things, that the Company may issue additional Bonds thereunder upon the basis of property additions in accordance with and subject to the conditions, provisions and limitations set forth in said Article Five; and it is provided in Article Eighteen of the First Mortgage as amended, among other things, that the Company and the Trustee may from time to time enter into one or more indentures supplemental to the First Mortgage as amended for the purposes, among other things which may be therein set forth, to mortgage or pledge additional property under the First Mortgage as amended and to establish the terms and provisions of any series of Bonds other than the 3½% Series Due 1960; and

WHEREAS, the Company, pursuant to resolutions duly adopted by its Board of Directors by unanimous written consent in lieu of a meeting, has determined under and in accordance with the provisions of the First Mortgage as amended and of this Forty-Seventh Supplemental Indenture to create a new series of Bonds to be known as its First Mortgage Bonds, 1.875% Series Due 2016 (hereinafter sometimes called the New Bonds, which term shall include the Private Bonds and the Exchange Bonds (each as defined herein), unless the context otherwise requires); and

WHEREAS, the New Bonds and the Trustee's certificate to be endorsed on all the New Bonds are to be respectively and substantially in the forms established hereby and approved by the aforesaid resolutions, which are substantially in the forms of Exhibits A and B hereto, as applicable; and

WHEREAS, under said resolution the Board of Directors of the Company authorized officers of the Company to approve the form, terms and provisions of this Forty-Seventh Supplemental Indenture (including the forms of the New Bonds) and the execution by the Company of an indenture in the form and having the terms and the provisions so approved was duly authorized and directed; and

WHEREAS, all things necessary to make the New Bonds hereinafter described, when duly authenticated by the Trustee and issued by the Company, valid, binding and legal obligations of the Company, and to make this Indenture a valid and binding agreement supplemental to the First Mortgage as amended, have been done and performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH

that, in order further to secure the payment of all the Bonds at any time issued and outstanding under the First Mortgage as amended or this Forty-Seventh Supplemental Indenture according to their tenor, purport and effect, as well as the interest thereon as the principal thereof, and further to secure the performance and observance of all the covenants and conditions therein and in the First Mortgage as amended and herein contained, and further to set forth the terms and conditions upon which the New Bonds are to be issued, secured and held, and for and in consideration of the premises and of the acceptance or purchase of the New Bonds by the holders or registered owners thereof, and of the sum of one dollar, lawful money of the United States of America, to the Company duly paid by the Trustee at or before the enrolling and delivery of this Forty-Seventh Supplemental Indenture, the receipt whereof is hereby acknowledged, the

Company has executed and delivered this Forty-Seventh Supplemental Indenture, and has granted, bargained, sold, released, conveyed, assigned, transferred, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, pledge, set over and confirm unto the Trustee, and to its successor or successors in said trust, and to it and its and their assigns forever, and does hereby subject to the lien of the First Mortgage as heretofore and hereby amended all the following described properties (all of which properties are included in and constitute a part of the "mortgaged property" and the "mortgaged and pledged property" as such terms are used and defined in the First Mortgage as heretofore and hereby amended and whenever used in the First Mortgage as heretofore and hereby amended such terms include and refer to such properties), to wit:

## **FIRST.**

### **REAL PROPERTY AND INTERESTS IN REAL PROPERTY.**

All and singular, all real property and interests in real property acquired by the Company between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by the Company at the latter date.

## **SECOND.**

### **ELECTRIC GENERATING PLANTS.**

All electric generating plants and stations of the Company acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, including all power houses, buildings, structures and works, and the land on which the same are situated, and all other lands and easements, rights-of-way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies forming a part of such plants and stations, or any of them, or occupied, enjoyed or used in connection therewith.

## **THIRD.**

### **TRANSMISSION LINES.**

All electric overhead and underground transmission lines of the Company acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, including towers, poles, pole lines, conduits, manholes, switching devices, insulators, and other structures, appliances, devices and equipment, and all the property forming a part thereof or appertaining thereto, and all service lines extending therefrom, together with all real property, rights-of-way, easements, permits, privileges, franchises, and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public way within as well as without the corporate limits of any municipal corporation.

## **FOURTH.**

### **SUBSTATIONS AND SUBSTATION SITES.**

All substations and switching stations of the Company acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, for transforming or otherwise regulating electric current at any of its plants, together with all buildings, transformers, wires, cables, insulators, structures, appliances, devices, equipment and all other property, real or personal, forming a part of, or appertaining thereto, or used, occupied or enjoyed in connection with any of such substations and switching stations.

## **FIFTH.**

### **ELECTRIC DISTRIBUTION SYSTEMS.**

All electric distribution systems of the Company acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, including substations, transformers, switchboards, towers, poles, wires, insulators, conduits, cables, manholes, appliances, devices, equipment and all other property, real or personal, forming a part of or appertaining thereto, or used, occupied or enjoyed in connection with such distribution systems or any of them, together with all rights-of-way, easements, permits, privileges, franchises, and rights in or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or public ways within as well as without the corporate limits of any municipal corporation.

## **SIXTH.**

### **LIQUEFIED PETROLEUM GAS PRODUCTION AND STORAGE FACILITIES.**

All additions to liquefied petroleum gas production plants and storage facilities of the Company acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, including all buildings, structures, underground storage caverns, and works, and the land on which the same are situated, and all other lands and easements, rights-of-way, permits, privileges, pipe lines, machinery, equipment, appliances, appurtenances and supplies forming a part of such plants and stations, or any of them, or occupied, enjoyed or used in connection therewith.

## **SEVENTH.**

### **GAS DISTRIBUTION SYSTEMS.**

All gas distribution systems of the Company acquired or constructed by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, for distribution of gas, including pipes, mains, conduits, meters, appliances, equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems, or any of them, together with all rights-of-way, easements, permits, privileges, franchises and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

## **EIGHTH.**

### **OFFICE AND DEPARTMENTAL BUILDINGS.**

All office and departmental buildings of the Company, including the real estate on which such structures stand, acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, appertaining to, used, occupied or enjoyed in connection with the rendition of public utility service.

## **NINTH.**

### **TELEPHONE LINES.**

All telephone lines of the Company acquired by it between December 1, 2008, the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and owned by it at the latter date, used or available for use in the operation of its properties or otherwise.

## **TENTH.**

### **FRANCHISES.**

All and singular the franchises, grants, immunities, privileges and rights of the Company granted to or acquired by it between December 1, 2008 the date of the Forty-Sixth Supplemental Indenture, and the date of this Forty-Seventh Supplemental Indenture, and to which it was entitled at the latter date, including all and singular the franchises, grants, immunities, privileges and rights of the Company granted by all municipalities or political subdivisions, and all right, title and interest therein owned by the Company on the date of the execution of this Forty-Seventh Supplemental Indenture, and all renewals, extensions and modifications of said franchises, grants, immunities, privileges and rights, or any of them, and of all other franchises, grants, immunities, privileges and rights now subject to the lien of the First Mortgage as amended.

## **ELEVENTH.**

### **OTHER REAL ESTATE AND APPURTENANCES.**

A. All other real estate and interests in real estate and all other physical electric power and light, gas and other property owned by the Company at the date of execution of this Forty-Seventh Supplemental Indenture.

B. All other real estate and interests in real estate and all other physical electric power and light, gas and other property which the Company may hereafter acquire or construct.

C. All present and future appurtenances of the real estate and interests in real estate which now are, or hereafter shall be, subject to the lien of the First Mortgage as amended, and all plants, works, buildings, structures, fixtures, improvements, betterments and additions now



owned, or hereafter acquired or constructed by the Company, upon any of the real estate which, or interests in which, now are or hereafter shall be subject to the lien of the First Mortgage as amended.

D. All corporate rights, privileges, immunities and franchises, powers, licenses, easements, leases, contracts and other rights and all renewals and extensions thereof held or acquired for use or used upon, or in connection with or appertaining to, any of the properties which now are or hereafter shall be subject to the lien of the First Mortgage as amended, or which the Company has or may have the right to exercise in respect of any of said properties.

E. All machinery, tools and equipment now owned or hereafter acquired by the Company, which now or hereafter belong or appertain to or are used in connection with the plants, works, transmission lines, distribution systems, buildings, structures and fixtures which now are or hereafter shall be subject to the lien of the First Mortgage as amended.

Together with all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders, rents, issues, income and profits thereof, and all the estate, right, title, interest and claim whatsoever at law or in equity, which the Company now has or which it may hereafter acquire in and to the aforesaid property and every part and parcel thereof.

It is not intended to include in the lien of the First Mortgage as amended and this grant shall not be deemed to apply (1) to any revenues, earnings, rents, issues, income or profits of the mortgaged property, or any cash (except cash deposited with the Trustee pursuant to any of the provisions of the First Mortgage as heretofore and hereby amended), or any bills, notes or accounts receivable, contracts or choses in action, or any materials or supplies or construction equipment, or any merchandise, equipment or apparatus manufactured or acquired for the purpose of sale or resale in the usual course of business, except in case of the happening of a completed default as defined in Section 1 of Article Twelve of the First Mortgage as heretofore and hereby amended, and following such completed default, in case the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged property, or (2) in any case, to any cars, trucks or other vehicles of any nature for the transportation of personnel, materials or equipment by any means which may have been acquired after the effective date of the amendment to this Clause made by or pursuant to the provisions of the Eleventh Supplemental Indenture, or to any bonds, notes, evidences of indebtedness, shares of stock or other securities, except such as may be specifically subjected to the lien of the First Mortgage as amended.

#### **TWELFTH.**

#### **PROPERTY HEREAFTER TO BECOME SUBJECT TO THE LIEN OF THE FIRST MORTGAGE AS AMENDED.**

A. Any and all property, real, personal and mixed, including franchises, grants, immunities, privileges and rights, which the Company may hereafter acquire or to which it may hereafter become entitled, excepting, however, the following property which is not intended to be subjected to the lien of the First Mortgage: (1) any revenues, earnings, rents, issues, income or profits of the mortgaged property, or any cash (except cash deposited with the Trustee

pursuant to any of the provisions of the First Mortgage as heretofore and hereby amended), or any bills, notes or accounts receivable, contracts or choses in action, or any materials or supplies or construction equipment, or any merchandise, equipment or apparatus manufactured or acquired for the purpose of sale or resale in the usual course of business, except in case of the happening of a completed default as defined in Section 1 of Article Twelve of the First Mortgage as heretofore and hereby amended, and following such completed default, in case the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged property, or (2) in any case, any cars, trucks or other vehicles of any nature for the transportation of personnel, materials or equipment by any means, or any bonds, notes, evidences of indebtedness, shares of stock or other securities, except such as may be specifically subjected to the lien of the First Mortgage as amended.

B. Any and all property of every name and nature, including shares of stock, bonds, other securities or obligations and cars, trucks or other vehicles for the transportation of personnel, materials or equipment by any means, which, from time to time after the execution of this Forty-Seventh Supplemental Indenture, by delivery or by writing of any kind for the purposes hereof, shall have been conveyed, mortgaged, pledged, assigned or transferred by, or by anyone on behalf of, the Company to the Trustee, which is hereby authorized to receive any property at any and all times, as and for additional security, and also, when and as provided in the First Mortgage as amended as and for substituted security, for the payment of the Bonds to be issued under the First Mortgage as amended, and to hold and apply any and all such property subject to the terms hereof and of the First Mortgage as amended.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, mortgaged, pledged or conveyed by the Company as aforesaid, or intended so to be, unto the Trustee and its successors and assigns forever.

SUBJECT, HOWEVER, as to property hereby conveyed, to liens for taxes, assessments and other charges levied or to be levied by the State of Ohio and any of the subdivisions thereof for the years 2012 and 2013 and thereafter and, as to any property hereafter acquired by the Company and which may become subject to the lien of the First Mortgage as amended, to any lien or charge thereon existing at the time of the acquisition thereof by the Company;

IN TRUST NEVERTHELESS, upon and subject to the terms, conditions and stipulations hereinafter and in the First Mortgage as amended set forth, for the equal and proportionate benefit and security of the holders from time to time of the Bonds and interest coupons issued and to be issued under the First Mortgage as amended and this and other indentures supplemental thereto, without preference, priority or distinction as to lien or otherwise of any of the Bonds and coupons over any others by reason of priority in time of issue, sale or negotiation thereof or otherwise howsoever, and for the uses and purposes and upon and subject to the terms, conditions, provisions and agreements in the Bonds and hereinafter and in the First Mortgage as amended expressed and declared.

## **ARTICLE ONE**

### **BONDS OF THE 1.875% SERIES DUE 2016 AND ISSUE THEREOF**

**SECTION 1. Series and Form of New Bonds.** There shall be a series of Bonds designated "1.875% Series Due 2016", each of which shall bear the descriptive title First Mortgage Bond. The New Bonds shall be issued by the Company under the First Mortgage as amended and this Forty-Seventh Supplemental Indenture in the initial principal amount of \$445,000,000. Additional New Bonds, without limitation as to amount, having substantially the same terms as the outstanding New Bonds (except a different issue date, issue price and bearing interest from the last interest payment date to which interest has been paid or duly provided for on the outstanding New Bonds, and, if no interest has been paid, from September 19, 2013), may also be issued by the Company pursuant to the First Mortgage as amended and this Forty-Seventh Supplemental Indenture without the consent of the existing holders of the New Bonds. Such additional New Bonds shall be part of the same series as the outstanding New Bonds.

The New Bonds shall be in registered form only and such New Bonds and the Trustee's certificate to be endorsed on all the New Bonds shall respectively be substantially in the forms set forth in Exhibits A and B hereto, as applicable.

**SECTION 2. Issue of New Bonds.** Upon the execution and delivery of this Forty-Seventh Supplemental Indenture and upon delivery of the New Bonds, executed by the Company, and upon compliance by the Company with the provisions of Article Five, Article Six or Article Seven or any or all of said Articles, as the case may be, of the First Mortgage as amended, the Trustee shall, without awaiting the filing or recording of this Forty-Seventh Supplemental Indenture, authenticate the New Bonds and deliver the New Bonds as provided in said Article Five, Article Six or Article Seven.

**SECTION 3. Dates, Interest, etc., of New Bonds.** The New Bonds shall be dated as provided in Section 3 of Article Two of the First Mortgage as amended; shall mature September 15, 2016; and shall bear interest from September 19, 2013 as provided in said Section 3 of Article Two at the rate of 1.875% per annum until paid or redeemed as hereinafter provided, payable on March 15, 2014 and thereafter semi-annually on each March 15 and September 15, and on the maturity date, to the Bondholders in whose names such New Bonds are registered at the close of business on the February 28 or August 31 immediately preceding such March 15 or September 15, as the case may be, except that if the Company shall default in the payment of any installment of interest on any New Bonds, such interest in default shall be paid to the Bondholders in whose names the New Bonds are registered at the close of business on a date established for the payment of such defaulted interest by the Company in any lawful manner not inconsistent with the requirements of any securities exchange on which the New Bonds may be listed. If the Company does not comply with certain of its obligations under the Registration Rights Agreement (as defined below), the Private Bonds shall, in accordance with Section 2(d) of the Registration Rights Agreement, bear additional interest ("Additional Interest") in addition to the interest provided for in the immediately preceding sentence. For purposes of this Forty-Seventh Supplemental Indenture and the New Bonds, the term "interest" shall be deemed to include interest provided for in the second immediately preceding sentence and Additional

Interest, if any. The New Bonds shall be payable as to both principal, premium, if any, and interest in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York. 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 (as defined below), 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. "Business Day" means any day, other than a Saturday or Sunday, or 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 a day on which the corporate trust office of the Trustee is closed for business.

**SECTION 4. Denominations and Exchangeability of New Bonds; Temporary Bonds may be Authenticated and Delivered.** The New Bonds shall be issued in denominations of \$1,000 and any integral multiple of \$1,000.

Subject to the provisions of any legend set forth thereon, whenever any New Bond or New Bonds shall be surrendered at the office or agency of the Company in said Borough of Manhattan for exchange for a New Bond or New Bonds of other authorized denomination or denominations, the Company shall execute, and the Trustee shall authenticate and deliver, upon cancellation of the New Bond or New Bonds so surrendered, a New Bond or New Bonds of such other authorized denomination or denominations of like aggregate principal amount as the Bondholder making the exchange shall have requested and shall be entitled to receive. On presentation of any New Bond which is to be redeemed pursuant to the provisions of Section 5 of this Article One in part only, the Company shall execute, and the Trustee shall authenticate and deliver, a New Bond or New Bonds in principal amount equal to the unredeemed portion of the New Bond so presented.

The Company shall not be required to (a) register a transfer of, or exchange, any New Bond during a period of fifteen (15) days next preceding any selection of New Bonds to be redeemed or (b) register a transfer of, or exchange, any New Bond which shall have been selected for redemption in whole or in part.

A service charge will not be made for any registration of transfer or exchange of New Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

Until definitive New Bonds shall be ready for delivery, the Company may execute and, upon request of the Company, the Trustee shall authenticate and deliver, in lieu of such definitive New Bonds but subject to the same provisions, limitations and conditions except as to the denominations thereof, temporary printed or lithographed New Bonds as provided in Section 8 of Article Two of the First Mortgage as amended. Such temporary New Bonds shall be exchangeable for definitive New Bonds, when ready for delivery, in the manner provided in the First Mortgage as amended, and shall in all other respects be subject to and entitled to the

benefits of the terms and provisions and lien of this Forty-Seventh Supplemental Indenture, and the terms and provisions and lien of the First Mortgage as amended as therein provided.

**SECTION 5. Redemption of New Bonds and Redemption Price.** New Bonds may be redeemed, prior to maturity, at the election of the Company, in the manner provided in Article Ten of the First Mortgage as amended (except as provided below), as a whole at any time, or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the New Bonds being redeemed or (ii) as determined by the Quotation Agent as of the redemption date, the sum of the present values of the scheduled payments of principal and interest on such New Bonds from the redemption date to the stated maturity date of the New Bonds (excluding the portion of any such interest accrued to such redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate plus 20 basis points.

As used herein, the following defined terms shall have the respective meanings unless the context clearly requires otherwise:

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using 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. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

“Comparable Treasury Issue” means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the time period from the redemption date to the stated maturity date of the Bonds 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 time period. If no United States Treasury security has a maturity which is within a period from three months before to three months after the stated maturity date of the Bonds, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated and extrapolated on a straight-line basis, rounding to the nearest month using such securities.

“Quotation Agent” means one of the Reference Treasury Dealers selected by the Company and appointed to act in such role.

“Reference Treasury Dealer” means (i) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and their successors; provided, however, that if any of the foregoing shall cease to be a primary United States Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer and (ii) up to three other Primary Treasury Dealers selected by the Company.

“Comparable Treasury Price” means (i) the average of the five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than five

such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any 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) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

Notwithstanding the provisions of Article Ten of the First Mortgage as amended, any notice of redemption given with respect to the New Bonds (i) may provide that if, at the time notice of redemption is given, the redemption monies are not held by the Trustee, the redemption may be made subject to receipt of such monies before the date fixed for redemption, and such notice shall be of no effect and the Company shall not be required to redeem such New Bonds unless such monies are so received, and (ii) will be deemed to be sufficiently given if mailed by or on behalf of the Company at least 20 days and not more than 60 days prior to the date of redemption to each registered holder of such New Bond or New Bonds to be redeemed at his or her last address appearing upon the registry books of the paying agent. Failure duly to mail such notice to the owner or holder of any New Bond designated for redemption in whole or in part shall not affect the validity of the proceedings for the redemption of any other New Bond.

Notwithstanding the provisions of the first and third sentences of Section 4 of Article Ten of the First Mortgage as amended, payment of the redemption price of a portion of any New Bond may, if the Company so agrees with the registered holder thereof (or the person for whom such registered holder is a nominee if such person has filed with the Trustee a certificate to the effect that such registered holder is such person’s nominee), be made by the Trustee, or by any other paying agent with the consent of the Trustee, to such registered holder without presentation or surrender thereof to the Trustee if there shall have been filed with the Trustee a written undertaking of such registered holder, for the benefit of the Trustee and of the Company, that such registered holder (a) will promptly and prior to any transfer make notations on such New Bond of the portions thereof so redeemed and the date to which interest has been paid thereon; (b) will permit the Trustee to inspect, at any reasonable time, such notations (and, in default of such notations having been made, to make such notations); and (c) will not dispose of such New Bond or any interest thereon unless, prior to the delivery thereof, such New Bond either shall have been presented to the Trustee for appropriate notation (or confirmation of notation) thereon of the portion of the principal amount thereof which has been redeemed and the date to which interest has been paid thereon or shall have been surrendered to the Trustee in exchange for a New Bond or New Bonds aggregating the unredeemed balance of the principal amount of such New Bond. The Trustee shall not be under any duty to determine that such notations have been made. The Trustee shall not be liable or responsible to any Bondholder or to the Company or to any person for any act or omission to act on the part of the Company or any Bondholder in connection with the foregoing. The Company will indemnify and save the Trustee harmless against any liabilities resulting from any such act or omission or any action of the Trustee in accordance with this paragraph.

Except as in this Forty-Seventh Supplemental Indenture otherwise provided with respect to any matter or question, the provisions of Article Ten of the First Mortgage as amended shall

be applicable in the case of the redemption of all or any part of the New Bonds at any time outstanding.

Except as set forth in this Section 5 of Article One of this Forty-Seventh Supplemental Indenture, the New Bonds are not redeemable by the Company.

**SECTION 6. Registration Rights for New Bonds.** The Company has entered into an Exchange and Registration Rights Agreement dated as of September 19, 2013 (the “Registration Rights Agreement”) with the initial purchasers of the New Bonds pursuant to which, among other things, the New Bonds that are issued without registration (the “Private Bonds”) under the Securities Act of 1933, as amended (the “Securities Act”), may be exchanged for New Bonds that will be registered under the Securities Act and that will otherwise have substantially the same terms as the Private Bonds (the “Exchange Bonds”) or, failing such exchange, the Company will file a shelf registration for the resale of the Private Bonds. The Private Bonds will be offered and sold in reliance on exemptions from, or in transactions not subject to, the Securities Act, and Private Bonds will be exchanged for Exchange Bonds only pursuant to an effective registration statement under the Securities Act and otherwise in accordance with the Registration Rights Agreement and the First Mortgage as amended. Except as provided in the Registration Rights Agreement, nothing in the First Mortgage as amended or the New Bonds shall be construed to require the Company to register any New Bonds under the Securities Act, or to make any transfer of such New Bonds in violation of applicable law. The Private Bonds and the Exchange Bonds will constitute a single series of Bonds under the First Mortgage as amended and this Forty-Seventh Supplemental Indenture.

**SECTION 7. Private Bonds.** (a) Private Bonds offered and sold in reliance on Rule 144A under the Securities Act shall be issued initially in the form of one or more permanent global New Bonds, substantially in the form of Exhibit A (a “144A Global Security”), deposited with The Depository Trust Company (the “Clearing Agency”) or the Trustee as custodian for the Clearing Agency. Transfers of beneficial interests in the 144A Global Security will be subject to the restrictions on transfer contained in the non-registration legend set forth in Exhibit A. Transfers of beneficial interests in the 144A Global Security will be made in accordance with the standing instructions and procedures of the Clearing Agency.

(b) Private Bonds offered and sold in offshore transactions in reliance on Regulation S shall be issued initially in the form of one or more permanent global New Bonds, substantially in the form of Exhibit A (a “Regulation S Global Security”), but without the non-registration legend set forth therein, deposited with the Clearing Agency or the Trustee as custodian for the Clearing Agency. Prior to the expiration of the Distribution Compliance Period, transfers of beneficial interests in the Regulation S Global Security will be subject to the restrictions on transfer contained in the Regulation S legend set forth in Exhibit A. After the expiration of the Distribution Compliance Period, transfers of beneficial interests in the Regulation S Global Security will not be subject to any restrictions. Transfers of beneficial interests in the Regulation S Global Security will be made in accordance with the standing instructions and procedures of the Clearing Agency.

For purposes of this Forty-Seventh Supplemental Indenture, (i) “Clearing Agency Participant” means a broker, dealer, bank, other financial institution or other person for whom

from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency, (ii) "Distribution Compliance Period" means the period of 40 consecutive days beginning on and including the later of (x) the day on which the offering of the New Bonds commences or (y) the original issue date of the New Bonds, and (iii) "Global Securities Certificate" or "Global Security" means any Private Bond in the form of a 144A Global Security, a Regulation S Global Security and, if applicable, any Exchange Bond represented in global form and deposited with the Clearing Agency or the Trustee as custodian for the Clearing Agency.

(c) Exchange Bonds shall be issued in global form, substantially in the form, and bearing the legends, set forth in Exhibit B, deposited with the Clearing Agency or the Trustee as custodian for the Clearing Agency.

**SECTION 8. Transfers of New Bonds.** (a) So long as the Private Bonds are eligible for book-entry settlement in the Clearing Agency or unless otherwise required by law, all Private Bonds that are so eligible will be represented by one or more Global Securities Certificates deposited with the Clearing Agency or the Trustee as custodian for the Clearing Agency. No owner of a beneficial interest in a Global Securities Certificate will receive a Definitive New Bond Certificate representing such owner's beneficial interest in the Private Bonds, except as provided in Section 8(f) of this Article One; provided, however, that the Company shall issue a Definitive New Bond Certificate upon any transfer of a beneficial interest in a Global Security to the Company or an "affiliate" as defined in Rule 144 under the Securities Act (an "Affiliate") of the Company and no Definitive New Bond Certificate, or portion thereof, in respect of which the Company or an Affiliate of the Company held any beneficial interest shall be resold, retransferred or included in any Global Security until such Private Bond is freely tradeable in accordance with Rule 144 under the Securities Act or exchanged for an Exchange Bond.

For purposes of this Forty-Seventh Supplemental Indenture, "Definitive New Bond Certificates" means New Bonds issued in definitive, fully registered form, substantially in the form of Exhibit A, but without the depository legend and the Regulation S legend set forth therein.

(b) Global Securities shall initially be registered in the name of a nominee of the Clearing Agency.

(c) Transfers of interests in Private Bonds between any 144A Global Security and any Regulation S Global Security will be made in accordance with this Forty-Seventh Supplemental Indenture (including Section 8(d)(iii) and (iv) of this Article One, as applicable) and in accordance with the standing instructions and procedures of the Clearing Agency. The Trustee shall make appropriate endorsements to reflect increases or decreases in the amount of such Global Securities.

(d) Unless and until the earlier of (i) the date upon which Private Bonds are exchanged for Exchange Bonds in connection with an effective registration statement pursuant to the Registration Rights Agreement or (ii) the Transfer Restriction Termination Date (meaning the first day in which the New Bonds (other than New Bonds acquired by the Company or any Affiliate thereof) may be sold pursuant to Rule 144 under the Securities Act):



(i) Definitive to Definitive Transfers. Any transfer of a Definitive New Bond Certificate shall be registered on the registry books only upon receipt by the Trustee of such Definitive New Bond Certificate accompanied by a duly completed and executed assignment in a form reasonably acceptable to the Trustee and such other certifications, legal opinions or other information as the Company may reasonably request to confirm that such transfer is exempt from the registration requirements of the Securities Act;

(ii) Definitive into Global Security. So long as Private Bonds are eligible for book-entry settlement with the Clearing Agency or unless otherwise required by law, upon any transfer of a Definitive New Bond Certificate to a Qualified Institutional Buyer in accordance with Rule 144A under the Securities Act or to a non-U.S. Person in accordance with Regulation S, and upon receipt of the Definitive New Bond Certificate being so transferred, the Trustee shall make an endorsement on any 144A Global Security or any Regulation S Global Security, as the case may be, to reflect an increase in such Global Security and the Trustee shall cancel such Definitive New Bond Certificate;

(iii) 144A Global Security into Regulation S Global Security. Any transfer in accordance with Rule 903 or Rule 904 of Regulation S of a beneficial interest in a 144A Global Security shall be reflected by an increase in the Regulation S Global Security and a corresponding decrease in the 144A Global Security, in each case by the Trustee making an endorsement on such Global Security, only upon receipt by the Trustee of a written certificate in the form of Exhibit C (or such other certifications, legal opinions or other information as the Company may reasonably require to confirm that such transfer is being made pursuant to such Rule 903 or Rule 904); and

(iv) Regulation S Global Security into 144A Global Security. Any transfer of a beneficial interest in a Regulation S Global Security to a transferee that takes delivery in the form of a beneficial interest in the 144A Global Security shall be reflected by an increase in the 144A Global Security and a corresponding decrease in the Regulation S Global Security, in each case by the Trustee making an endorsement on such Global Security and, prior to the expiration of the Distribution Compliance Period, only upon receipt by the Trustee of a written certificate in the form of Exhibit D (or such other certifications, legal opinions or other information as the Company may reasonably require).

(e) Any Global Security may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Forty-Seventh Supplemental Indenture and the First Mortgage as amended as may be required by the Clearing Agency, by any national securities exchange or by the Financial Industry Regulatory Authority, Inc. or as may be required for the Private Bonds to be tradable on any other market developed for trading of securities pursuant to Rule 144A under the Securities Act or required to comply with any applicable law or any regulation thereunder or with the rules and

regulations of any securities exchange upon which the New Bonds may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular New Bonds are subject.

(f) Notwithstanding any other provisions of this Forty-Seventh Supplemental Indenture (other than the provisions set forth in this Section 8(f)), a Global Security may not be exchanged in whole or in part for Definitive New Bond Certificates, and no transfer of a Global Security may be registered, in the name of any person other than the Clearing Agency or a nominee thereof unless (i) such Clearing Agency (A) has notified the Trustee and the Company that it is unwilling or unable to continue as Clearing Agency for such Global Security or (B) has ceased to be a clearing agency registered as such under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and no successor Clearing Agency has been appointed by the Company within 90 days after its receipt of such notice or its becoming aware of such cessation of registration, (ii) there has occurred and is continuing an Event of Default, or any event that after notice or lapse of time or both would be an Event of Default under the First Mortgage as amended, with respect to the New Bonds or (iii) the Company in its discretion instructs the Trustee to exchange such Global Security for Definitive New Bond Certificates (in which case such exchange shall be effected by the Trustee).

(g) Unless and until Definitive New Bond Certificates have been issued to owners pursuant to Section 10 of this Article One, the following provisions of this Section 8(g) shall be in full force and effect:

(i) the security registrar and the Trustee shall be entitled to deal with the Clearing Agency for all purposes of this Forty-Seventh Supplemental Indenture relating to the Global Securities (including the payment of principal, premium, if any, and interest on the New Bonds evidenced by Global Securities Certificates and the giving of instructions or directions to owners of New Bonds evidenced by Global Securities) as the sole holder of New Bonds evidenced by Global Securities and shall have no obligations to the beneficial owners thereof; and

(ii) the rights of the beneficial owners of the Global Securities shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such beneficial owners and the Clearing Agency and/or the Clearing Agency Participants. Unless and until Definitive New Bond Certificates are issued pursuant to Section 8(f) of this Article One or Section 10 of this Article One, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments on the New Bonds to such Clearing Agency Participants.

(h) The Company shall inform the Trustee of the effective date of any registration statement registering the Exchange Bonds or the Private Bonds under the Securities Act. Upon the receipt of a request in writing from the Company, the Trustee will take such actions as shall be necessary to effectuate the exchange of any of the Private Bonds for Exchange Bonds, including but not limited to the issuance of Exchange Bonds in the form substantially set

forth in Exhibit B, the entry of decreases in the Regulation S Global Security and the 144A Global Security or, if applicable, the cancellation of any Definitive New Bond Certificates.

**SECTION 9. Notices.** To the extent that a notice or other communication to the beneficial owners is required under this Forty-Seventh Supplemental Indenture, unless and until Definitive New Bond Certificates shall have been issued to beneficial owners pursuant to Section 10 of this Article One, the Trustee shall give all such notices and communications specified herein to be given to beneficial owners to the Clearing Agency, and shall have no obligations to the beneficial owners.

**SECTION 10. Definitive New Bond Certificates.** Upon surrender to the security registrar of the Global Securities Certificates by the Clearing Agency upon occurrence of any of the events described in Section 8(f) of this Article One, accompanied by registration instructions, the Trustee shall authenticate and deliver and the security registrar shall register the Definitive New Bond Certificates in accordance with the instructions of the Clearing Agency. Neither the security registrar nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive New Bond Certificates, the Trustee shall recognize the holders of the Definitive New Bond Certificates as Bondholders.

**SECTION 11. Beneficial Interests in Global Security.** Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in the other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all restrictions, if any, and procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Forty-Seventh Supplemental Indenture, the New Bonds or applicable law with respect to any transfer or any interest in any New Bond (including any transfers between or among the Clearing Agency Participants or owners or holders of beneficial interests in any Global Security) other than to require delivery of such certificates and other documentation or evidence, if any, as are expressly required by, and to do so if and when expressly required by the terms of, this Forty-Seventh Supplemental Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

None of the Company, the Trustee, any paying agent or the security registrar shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

No holder of any beneficial interest in any Global Security held on its behalf by the Clearing Agency (or its nominee) shall have any rights under this Forty-Seventh Supplemental Indenture with respect to such Global Security or any New Bond represented thereby, and the Clearing Agency may be treated by the Company, the Trustee, and any agent of the Company or

the Trustee as the owner of such Global Security or any New Bond represented thereby for all purposes whatsoever.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Clearing Agency, as a holder, with respect to such Global Security or shall impair, as between the Clearing Agency and owners of beneficial interests in such Global Security, the operation of customary practices governing the exercise of the rights of the Clearing Agency (or its nominee) as holder of such Global Security.

**SECTION 12. Defeasance.** (a) Any New Bonds, or any portion of the principal amount thereof, will be deemed to have been paid for all purposes of the First Mortgage as amended and this Forty-Seventh Supplemental Indenture and the entirety of the Company's 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 the Company) for such purpose, in trust:

(i) money (including funded cash not otherwise applied pursuant to the First Mortgage as amended and this Forty-Seventh Supplemental Indenture to the extent permitted by the First Mortgage as amended and this Forty-Seventh Supplemental Indenture) in an amount; or

(ii) in the case of a deposit made prior to the date on which principal is due, eligible obligations (as defined 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 clause (i); or

(iii) a combination of options in the preceding clauses (i) and (ii),

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.

(b) In this Forty-Seventh Supplemental Indenture, "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.

(c) Notwithstanding the foregoing, no New Bond shall be deemed to have been paid as aforesaid unless the Company shall have delivered to the Trustee either:

(i) an opinion of counsel in the United States who is reasonably acceptable to the Trustee confirming that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since September 19, 2013, 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

(ii) (A) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its 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 the Company's obligation to make additional deposits as aforesaid shall be subject to the delivery to the Company by a holder of a New 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 (B) 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.

## ARTICLE TWO

### COVENANTS OF THE COMPANY.

SECTION 1. Confirmation of Covenants by Company in the First Mortgage. All covenants and agreements by the Company in the First Mortgage as heretofore and hereby amended are hereby confirmed.

SECTION 2. Covenant of the Company and Legal Opinion as to Recording. Promptly after the execution and delivery of this Forty-Seventh Supplemental Indenture, the Company will take such action with respect to the recording, filing, re-recording and re-filing of the First Mortgage as amended and this Forty-Seventh Supplemental Indenture as may be necessary to make effective the lien intended to be created hereby, and will furnish to the Trustee an opinion of counsel selected by the Company and satisfactory to the Trustee (who may be of counsel to the Company) either (a) stating that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of the First Mortgage as amended

and this Forty-Seventh Supplemental Indenture as to make effective the lien intended to be created thereby, and reciting the details of such action, or (b) stating that in the opinion of such counsel no such action is necessary to make such lien effective.

### **ARTICLE THREE**

#### **MISCELLANEOUS**

**SECTION 1. Authentication and Delivery of New Bonds in Advance of the Recording of Forty-Seventh Supplemental Indenture.** The New Bonds may be authenticated and delivered by the Trustee and issued by the Company in advance of the recording or filing of this Forty-Seventh Supplemental Indenture.

**SECTION 2. Forty-Seventh Supplemental Indenture to Form Part of First Mortgage.** The provisions of this Forty-Seventh Supplemental Indenture shall become effective immediately upon the execution and delivery hereof. From and after the initial issue of the New Bonds, this Forty-Seventh Supplemental Indenture shall form a part of the First Mortgage and all the terms and conditions herein contained shall be deemed to be part of the terms of the First Mortgage, as fully and with the same effect as if all the terms and provisions of this Forty-Seventh Supplemental Indenture had been set forth in the First Mortgage as originally executed. Except as modified or amended by this Forty-Seventh Supplemental Indenture, the First Mortgage as amended shall remain and continue in full force and effect in accordance with the terms and provisions thereof, and all the covenants, conditions, terms and provisions of the First Mortgage, as heretofore modified and amended and as further modified and amended by this Forty-Seventh Supplemental Indenture, shall be applicable with respect to the New Bonds, except insofar as such covenants, conditions, terms and provisions are limited and applicable only to the Bonds of another or other series, or are expressed to continue only so long as Bonds of another or other series are outstanding, and all the covenants, conditions, terms and provisions of the First Mortgage as amended with respect to the Trustee shall remain in full force and effect and be applicable to the Trustee under this Forty-Seventh Supplemental Indenture in the same manner as though set out herein at length. All representations and recitals contained in this Forty-Seventh Supplemental Indenture and in the New Bonds (save only the Trustee's certificates upon said New Bonds) are made by and on behalf of the Company, and the Trustee is in no way responsible therefor or for any statement therein contained.

**SECTION 3. Definitions in First Mortgage Shall Apply to Forty-Seventh Supplemental Indenture.** The terms defined in Article One of the First Mortgage as heretofore and hereby amended, when used in this Forty-Seventh Supplemental Indenture, shall, respectively, have the meanings set forth in said Article One.

**SECTION 4. Executions in Counterparts.** This Forty-Seventh Supplemental Indenture may be simultaneously executed in several counterparts and each counterpart shall be an original instrument.

IN WITNESS WHEREOF, THE DAYTON POWER AND LIGHT COMPANY has caused this instrument to be signed on its behalf by its President or a Vice President in the City of Indianapolis, Indiana and its corporate seal to be hereunto affixed and attested by its Corporate Secretary or an Assistant Corporate Secretary, in the City of Dayton, Ohio, and THE BANK OF NEW YORK MELLON has caused this instrument to be signed on its behalf by a Vice President or an Assistant Vice President and its corporate seal to be hereunto affixed and attested by a Vice President, Assistant Vice President or an Assistant Treasurer, in The City of New York, New York, as of the day and year first above written.

THE DAYTON POWER AND LIGHT COMPANY

By

\_\_\_\_\_  
Jeffrey K. MacKay  
Vice President and Treasurer

[SEAL]

Attest:

\_\_\_\_\_  
Timothy G. Rice  
Vice President, Assistant General Counsel  
and Corporate Secretary

[Forty-Seventh Supplemental Indenture, dated as of September 1, 2013, to Indenture dated as of October 1, 1935, executed by The Dayton Power and Light Company to Irving Trust Company (now The Bank of New York Mellon), as Trustee]

THE BANK OF NEW YORK MELLON,  
as Trustee

By \_\_\_\_\_  
Name: Latoya S. Elvin  
Title: Vice President

[SEAL]

Attest:

\_\_\_\_\_  
Name: Francine J. Kincaid  
Title: Vice President



STATE OF INDIANA,                    )  
COUNTY OF MARION                    ) ss.:

On this 19<sup>th</sup> day of September, 2013, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Jeffrey K. MacKay, to me known and known to me to be, respectively, the Vice President and Treasurer Of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations which executed the foregoing instrument, who acknowledged that he did sign said instrument as such Vice President and Treasurer for and on behalf of said corporation and that the same is his free act and deed as such Vice President and Treasurer, and the free and corporate act and deed of said corporation; and said Jeffrey K. MacKay, being by me duly sworn, did depose and say: that he resides in \_\_\_\_\_ County, Indiana; that he is the Vice President and Treasurer of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations described in and which executed the above instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

[SEAL]

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STATE OF OHIO,                        )  
COUNTY OF MONTGOMERY                ) ss.:

On this 19<sup>th</sup> day of September, 2013, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Timothy G. Rice, to me known and known to me to be, respectively, the Vice President, Assistant General Counsel and Corporate Secretary of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations which executed the foregoing instrument, who acknowledged that he did sign and seal said instrument as such Vice President, Assistant General Counsel and Corporate Secretary for and on behalf of said corporation and that the same is his free act and deed as such Vice President, Assistant General Counsel and Corporate Secretary, and the free and corporate act and deed of said corporation; and said Timothy G. Rice, being by me duly sworn, did depose and say: that he the Vice President, Assistant General Counsel and Corporate Secretary of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

[SEAL]

---

STATE OF NEW YORK,                    )  
COUNTY OF NEW YORK                ) ss.:

On this            day of September, 2013, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Latoya S. Elvin and Francine J. Kincaid, to me known and known to me to be, respectively, a Vice President and a Vice President of THE BANK OF NEW YORK MELLON, one of the corporations which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Vice President and Vice President for and on behalf of said corporation and that the same is their free act and deed as such Vice President and Vice President, respectively, and the free and corporate act and deed of said corporation; and said Latoya S. Elvin being by me duly sworn, did depose and say: that she resides in Bergen County, New Jersey; that she is a Vice President of THE BANK OF NEW YORK MELLON, one of the corporations described in and which executed the above instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of such corporation; and that she signed her name thereto by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

[SEAL]

---

DANNY LEE  
Notary Public, State of New York  
Commission No. 01LE6161129  
Qualified in New York County  
Commission Expires February 20, 2015

This instrument prepared by

---

Timothy G. Rice, Esq.  
Attorney at Law  
The Dayton Power and Light Company  
1065 Woodman Drive  
Dayton, Ohio 45432

**EXHIBIT A**  
**FORM OF GLOBAL PRIVATE BOND**

[depository legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFER OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE FORTY-SEVENTH SUPPLEMENTAL INDENTURE ESTABLISHING THIS SERIES.

[non-registration legend]

THE BONDS (OR THEIR PREDECESSOR) EVIDENCED HEREBY WERE ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE BONDS EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE BONDS EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH BONDS MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (b) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (c) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144

THEREUNDER (IF APPLICABLE) OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE BONDS EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN CLAUSE (A) ABOVE.

[registration rights legend]

BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY OR A BENEFICIAL INTEREST IN SUCH BONDS, THE HOLDER OF, AND ANY PERSON THAT ACQUIRES A BENEFICIAL INTEREST IN, SUCH BONDS AGREES TO BE BOUND BY THE PROVISIONS OF THE REGISTRATION RIGHTS AGREEMENT DATED AS OF SEPTEMBER 19, 2013 (THE "REGISTRATION RIGHTS AGREEMENT") AND RELATING TO THE REGISTRATION UNDER THE SECURITIES ACT OF BONDS EXCHANGEABLE FOR THE BONDS EVIDENCED HEREBY AND REGISTRATION OF THE BONDS EVIDENCED HEREBY.

[Regulation S legend]

BY ITS ACQUISITION HEREOF, EACH HOLDER OF THE BONDS EVIDENCED HEREBY, AND EACH PERSON THAT ACQUIRES A BENEFICIAL INTEREST IN SUCH BONDS, AGREES THAT PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN THE FORTY-SEVENTH SUPPLEMENTAL INDENTURE), BENEFICIAL INTERESTS IN THIS SECURITY MAY ONLY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED (A) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT OR (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

No. \_\_\_\_

CUSIP No. \_\_\_\_\_

**THE DAYTON POWER AND LIGHT COMPANY**  
**(Incorporated under the laws of the State of Ohio)**

**First Mortgage Bond,**  
**1.875% Series Due 2016**

THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter called the Company), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, on September 15, 2016, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum listed on Schedule I attached hereto in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest thereon from the interest payment date to which interest has been paid last preceding the date hereof (unless the date hereof is an interest payment date to which interest has been paid, in which case from the date hereof, or unless the date hereof is prior to March 15, 2014, in which case from September 19, 2013), at the rate of One and Seven Eighths per centum (1.875%) per annum in like coin or currency, payable at said office or agency semiannually on March 15 and September 15 in each year, and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged, such interest to be paid to the person who shall have been the registered owner hereof at the close of business on the February 28 or August 31 immediately preceding such March 15 or September 15, as the case may be (subject to certain exceptions provided in the Forty-Seventh Supplemental Indenture referred to herein). If the Company does not comply with certain of its obligations under the Registration Rights Agreement, this Bond shall, in accordance with Section 2(d) of the Registration Rights Agreement, bear additional interest ("Additional Interest") in addition to the interest provided for in the immediately preceding sentence. For purposes of this Bond, the term "interest" shall be deemed to include interest provided for in the second immediately preceding sentence and Additional Interest, if any. 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 this Bond 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.

This Bond is one of an issue of First Mortgage Bonds of the Company issued and to be issued in series under and pursuant to and equally secured by an indenture of mortgage and deed of trust dated as of October 1, 1935, executed by the Company to Irving Trust Company, as Trustee (now The Bank of New York Mellon), as said indenture has been amended and supplemented as hereinafter stated, and is one of a series of said First Mortgage Bonds, which series is designated as the First Mortgage Bonds, 1.875% Series Due 2016, of the Company (hereinafter called the Bonds of the Series Due 2016) created and described in a Forty-Seventh Supplemental Indenture

dated as of September 1, 2013, executed by the Company to The Bank of New York Mellon, as Trustee. Subsequent to the execution and delivery of said indenture of mortgage and deed of trust there have been executed and delivered forty-seven indentures supplemental thereto, including said Forty-Seventh Supplemental Indenture dated as of September 1, 2013, supplementing and amending as therein set forth certain provisions thereof. Said indenture of mortgage and deed of trust and such supplemental indentures collectively are hereinafter sometimes called the "Indenture".

For a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds and of the Trustee therein and thereto, the duties and immunities of the Trustee, and the terms and conditions upon which the Bonds are issued and secured, reference is hereby made to the Indenture. The rights and obligations of the Company and of the holders and registered owners of the Bonds of this issue may be modified or amended at the request of the Company by an indenture or indentures supplemental to the Indenture, executed pursuant to the consent in writing of the holders or registered owners of a majority in principal amount of the Bonds then outstanding affected by such modification or amendment, all in the manner and subject to the limitations set forth in the Indenture, any consent by the holder or registered owner of any Bond being conclusive and binding upon such holder or registered owner and upon all future holders and owners of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond; provided that no such modification or amendment by such supplemental indenture shall extend the maturity of, or reduce the rate of interest on, or otherwise modify the terms of payment of the principal or interest of, this Bond, which obligations are absolute and unconditional, nor permit the creation of any lien ranking prior to or equal with the lien of the Indenture on any of the mortgaged property.

Bonds of the Series Due 2016 may be redeemed, prior to maturity, at the election of the Company, as a whole at any time, or in part from time to time, upon notice mailed to each registered holder of the Bonds of the Series Due 2016 at least 20 but not more than 60 days prior to the date of redemption, at a redemption price equal to the greater of (i) 100% of the principal amount of the Bonds of the Series Due 2016 being redeemed or (ii) as determined by the Quotation Agent as of the redemption date, the sum of the present values of the scheduled payments of principal and interest on such Bonds of the Series Due 2016 from the redemption date to the stated maturity date of the Bonds of the Series Due 2016 (excluding the portion of any such interest accrued to such date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate plus 20 basis points, as further described in the Forty-Seventh Supplemental Indenture referred to herein.

As used herein, the following defined terms shall have the respective meanings unless the context clearly requires otherwise:

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using 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. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

**“Comparable Treasury Issue”** means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the time period from the redemption date to the stated maturity date of the Bonds 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 time period. If no United States Treasury security has a maturity which is within a period from three months before to three months after the stated maturity date of the Bonds, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated and extrapolated on a straight-line basis, rounding to the nearest month using such securities.

**“Quotation Agent”** means one of the Reference Treasury Dealers selected by the Company and appointed to act in such role.

**“Reference Treasury Dealer”** means (i) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and their successors; provided, however, that if any of the foregoing shall cease to be a primary United States Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer and (ii) up to three other Primary Treasury Dealers selected by the Company.

**“Comparable Treasury Price”** means (i) the average of the five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

**“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and any 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) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

The Bonds of the Series Due 2016 are subject to defeasance in accordance with the Forty-Seventh Supplemental Indenture referred to herein.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a completed default as in the Indenture provided.

Subject to the provisions of any legend set forth hereon, this Bond may be exchanged for a like principal amount of other Bonds or transferred as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond, and thereupon a new registered Bond or Bonds of the Series Due 2016 without coupons for a like principal amount and of authorized denominations will be issued in exchange therefor as provided in the Indenture. The Company and the Trustee may deem and treat the

person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal, premium, if any, and interest due hereon and for all other purposes.

A service charge will not be made for any registration of transfer or exchange of Bonds of the Series Due 2016, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

The Bonds of the Series Due 2016 are issuable as registered Bonds without coupons in the denominations of \$1,000 and any integral multiple of \$1,000.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on, this Bond, or under or upon any obligation, covenant or agreement contained in the First Mortgage, against any incorporator, or any past, present, or future subscriber to capital stock, shareholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, shareholders, officers and directors being released by the registered owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until The Bank of New York Mellon, the Trustee under the Indenture, or its successor thereunder, shall have signed the form of certificate endorsed hereon.



IN WITNESS WHEREOF, The Dayton Power and Light Company has caused this Bond to be executed in its name by the facsimile signature of its President or a Senior Vice President and its corporate seal to be hereunto affixed or a facsimile thereof reproduced hereon and attested by the facsimile signature of its Secretary or an Assistant Secretary.

Dated: \_\_\_\_\_

THE DAYTON POWER AND LIGHT  
COMPANY,

By: \_\_\_\_\_  
Senior Vice President and Chief Financial  
Officer

Attest: \_\_\_\_\_  
Vice President, Assistant General Counsel  
and Corporate Secretary

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

## SCHEDULE I

## GLOBAL SECURITY

The initial principal amount of New Bonds evidenced by this \_\_\_\_\_ Global Security is \$\_\_\_\_\_.

**CHANGES TO PRINCIPAL AMOUNT OF BONDS EVIDENCED BY \_\_\_\_\_ GLOBAL SECURITY**

[illegible]

**EXHIBIT B**

**FORM OF GLOBAL EXCHANGE BOND**

[depository legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFER OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE FORTY-SEVENTH SUPPLEMENTAL INDENTURE ESTABLISHING THIS SERIES.

No. \_\_\_\_

CUSIP No. \_\_\_\_\_

**THE DAYTON POWER AND LIGHT COMPANY**  
**(Incorporated under the laws of the State of Ohio)**

**First Mortgage Bond,**  
**1.875% Series Due 2016**

THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter called the Company), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, on September 15, 2016, at the office or agency of the Company in the Borough of Manhattan, The City of New York, the principal sum listed on Schedule I attached hereto in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest thereon from the interest payment date to which interest has been paid last preceding the date hereof (unless the date hereof is an interest payment date to which interest has been paid, in which case from the date hereof, or unless the date hereof is prior to March 15, 2014, in which case from September 19, 2013), at the rate of One and Seven Eighths per centum (1.875%) per annum in like coin or currency, payable at said office or agency semiannually on March 15 and September 15 in each year, and at maturity, until the Company's obligation with respect to the payment of such principal shall have been discharged, such interest to be paid to the person who shall have been the registered owner hereof at the close of business on the February 28 or August 31 immediately preceding such March 15 or September 15, as the case may be (subject to certain exceptions provided in the Forty-Seventh Supplemental Indenture referred to herein). 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 this Bond 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.

This Bond is one of an issue of First Mortgage Bonds of the Company issued and to be issued in series under and pursuant to and equally secured by an indenture of mortgage and deed of trust dated as of October 1, 1935, executed by the Company to Irving Trust Company, as Trustee (now The Bank of New York Mellon), as said indenture has been amended and supplemented as hereinafter stated, and is one of a series of said First Mortgage Bonds, which series is designated as the First Mortgage Bonds, 1.875% Series Due 2016, of the Company (hereinafter called the Bonds of the Series Due 2016) created and described in a Forty-Seventh Supplemental Indenture dated as of September 1, 2013, executed by the Company to The Bank of New York Mellon, as Trustee. Subsequent to the execution and delivery of said indenture of mortgage and deed of trust there have been executed and delivered forty-seven indentures supplemental thereto,

including said Forty-Seventh Supplemental Indenture dated as of September 1, 2013, supplementing and amending as therein set forth certain provisions thereof. Said indenture of mortgage and deed of trust and such supplemental indentures collectively are hereinafter sometimes called the "Indenture".

For a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds and of the Trustee therein and thereto, the duties and immunities of the Trustee, and the terms and conditions upon which the Bonds are issued and secured, reference is hereby made to the Indenture. The rights and obligations of the Company and of the holders and registered owners of the Bonds of this issue may be modified or amended at the request of the Company by an indenture or indentures supplemental to the Indenture, executed pursuant to the consent in writing of the holders or registered owners of a majority in principal amount of the Bonds then outstanding affected by such modification or amendment, all in the manner and subject to the limitations set forth in the Indenture, any consent by the holder or registered owner of any Bond being conclusive and binding upon such holder or registered owner and upon all future holders and owners of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond; provided that no such modification or amendment by such supplemental indenture shall extend the maturity of, or reduce the rate of interest on, or otherwise modify the terms of payment of the principal or interest of, this Bond, which obligations are absolute and unconditional, nor permit the creation of any lien ranking prior to or equal with the lien of the Indenture on any of the mortgaged property.

Bonds of the Series Due 2016 may be redeemed, prior to maturity, at the election of the Company, as a whole at any time, or in part from time to time, upon notice mailed to each registered holder of the Bonds of the Series Due 2016 at least 20 but not more than 60 days prior to the date of redemption, at a redemption price equal to the greater of (i) 100% of the principal amount of the Bonds of the Series Due 2016 being redeemed or (ii) as determined by the Quotation Agent as of the redemption date, the sum of the present values of the scheduled payments of principal and interest on such Bonds of the Series Due 2016 from the redemption date to the stated maturity date of the Bonds of the Series Due 2016 (excluding the portion of any such interest accrued to such date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate plus 20 basis points, as further described in the Forty-Seventh Supplemental Indenture referred to herein.

As used herein, the following defined terms shall have the respective meanings unless the context clearly requires otherwise:

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using 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. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

"Comparable Treasury Issue" means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the time period from the redemption date to the stated maturity date of the Bonds

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 time period. If no United States Treasury security has a maturity which is within a period from three months before to three months after the stated maturity date of the Bonds, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated and extrapolated on a straight-line basis, rounding to the nearest month using such securities.

“Quotation Agent” means one of the Reference Treasury Dealers selected by the Company and appointed to act in such role.

“Reference Treasury Dealer” means (i) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and their successors; provided, however, that if any of the foregoing shall cease to be a primary United States Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer and (ii) up to three other Primary Treasury Dealers selected by the Company.

“Comparable Treasury Price” means (i) the average of the five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any 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) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

The Bonds of the Series Due 2016 are subject to defeasance in accordance with the Forty-Seventh Supplemental Indenture referred to herein.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a completed default as in the Indenture provided.

Subject to the provisions of any legend set forth hereon, this Bond may be exchanged for a like principal amount of other Bonds or transferred as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond, and thereupon a new registered Bond or Bonds of the Series Due 2016 without coupons for a like principal amount and of authorized denominations will be issued in exchange therefor as provided in the Indenture. The Company and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal, premium, if any, and interest due hereon and for all other purposes.

A service charge will not be made for any registration of transfer or exchange of Bonds of the Series Due 2016, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

The Bonds of the Series Due 2016 are issuable as registered Bonds without coupons in the denominations of \$1,000 and any integral multiple of \$1,000.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on, this Bond, or under or upon any obligation, covenant or agreement contained in the First Mortgage, against any incorporator, or any past, present, or future subscriber to capital stock, shareholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, shareholders, officers and directors being released by the registered owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until The Bank of New York Mellon, the Trustee under the Indenture, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, The Dayton Power and Light Company has caused this Bond to be executed in its name by the facsimile signature of its President or a Senior Vice President and its corporate seal to be hereunto affixed or a facsimile thereof reproduced hereon and attested by the facsimile signature of its Secretary or an Assistant Secretary.

Dated: \_\_\_\_\_

THE DAYTON POWER AND LIGHT  
COMPANY,

By: \_\_\_\_\_  
Senior Vice President and Chief Financial  
Officer

Attest: \_\_\_\_\_  
Vice President, Assistant General Counsel  
and Corporate Secretary

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory



**SCHEDULE I**

**GLOBAL SECURITY**

The initial principal amount of New Bonds evidenced by this Global Security is \$\_\_\_\_\_.

**CHANGES TO PRINCIPAL AMOUNT OF BONDS EVIDENCED BY GLOBAL SECURITY**

<b>Date</b>	<b>Principal Amount of Bonds by which this Global Security is to be Reduced or Increased, and Reason for Reduction or Increase</b>	<b>Resulting Principal Amount of Bonds Represented by this Global Security</b>	<b>Notation Made by</b>

## **EXHIBIT C**

### **FORM OF TRANSFER CERTIFICATE 144A GLOBAL SECURITY TO REGULATION S GLOBAL SECURITY**

The Bank of New York Mellon, as Trustee  
101 Barclay Street, 8W  
New York, New York 10286  
Attention:

Re: The Dayton Power and Light Company

Private Bonds

Reference is hereby made to the Indenture of Mortgage and Deed of Trust, dated as of October 1, 1935 among The Dayton Power and Light Company (the "Company") and The Bank of New York Mellon, as trustee, as amended and supplemented and the Forty-Seventh Supplemental Indenture dated as of September 1, 2013 relating to the Company's First Mortgage Bonds, 1.875% Series Due 2016 (the "Supplemental Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Supplemental Indenture.

This letter relates to \$\_\_\_\_\_ principal amount of Private Bonds which are evidenced by a 144A Global Security (CUSIP No. \_\_\_\_\_) and held with the Clearing Agency indirectly in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in such Private Bonds to a person that will take delivery thereof in a transaction effected pursuant to and in accordance with Rule 903 or 904 under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor does hereby further certify that:

The offer of such Private Bonds was not made to a person in the United States,

(A) either:

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

(B) no directed selling efforts have been made in contravention of the requirements of Rule 904(b) under the Securities Act, as applicable;

(C) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(D) we have advised the transferee of the transfer restrictions applicable to such Private New Bonds.

You and the initial purchasers of the New Bonds are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. Terms used in this certificate and not otherwise defined herein or in the Forty-Seventh Supplemental Indenture have the meanings set forth in Regulation S under the Securities Act.

Dated: \_\_\_\_\_

[Insert Name of Transferor]

By: \_\_\_\_\_

Name:

Title:

(If the registered owner is a corporation, partnership or fiduciary, the title of the person signing on behalf of such registered owner must be stated.)

Signature guarantee: \_\_\_\_\_

#### SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended

**EXHIBIT D**

**FORM OF TRANSFER CERTIFICATE  
REGULATION S GLOBAL SECURITY TO 144A GLOBAL SECURITY**

The Bank of New York Mellon, as Trustee  
101 Barclay Street, 8W  
New York, New York 10286  
Attention:

Re: The Dayton Power and Light Company

Private Bonds

Reference is hereby made to the Indenture of Mortgage and Deed of Trust, dated as of October 1, 1935 among The Dayton Power and Light Company (the "Company") and The Bank of New York Mellon, as trustee, as amended and supplemented and the Forty-Seventh Supplemental Indenture dated as of September 1, 2013 relating to the Company's First Mortgage Bonds, 1.875% Series Due 2016 (the "Supplemental Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Supplemental Indenture.

This letter relates to \$\_\_\_\_\_ principal amount of Private Bonds which are evidenced by a Regulation S Global Security (CUSIP No. \_\_\_\_\_) and held with the Clearing Agency indirectly in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in such Private New Bonds to a person that will take delivery thereof in a transaction effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor does hereby certify that (i) the Transferor's interest in such Private Bonds is being transferred in accordance with the transfer restrictions set forth in the Supplemental Indenture; and (ii) the transferee is a person who the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

You and the initial purchasers of the New Bonds are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Dated: \_\_\_\_\_

[Insert Name of Transferor]

By: \_\_\_\_\_

Name:

Title:

(If the registered owner is a corporation,  
partnership or fiduciary, the title of the  
person signing on behalf of such registered  
owner must be stated.)

Signature guarantee: \_\_\_\_\_

#### SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**9/27/2013 4:25:27 PM**

**in**

**Case No(s). 13-0893-EL-AIS**

Summary: Report In The Matter of the Application of The Dayton Power and Light Company for Authority to Issue and Sell an amount not to exceed \$490 million of first mortgage bonds, debentures, notes, or other evidences of indebtedness or unsecured notes. electronically filed by Ms. Jenna C. Johnson on behalf of The Dayton Power and Light Company