BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 20-1651-EL-AIR
CASE NO. 20-1652-EL-AAM
CASE NO. 20-1653-EL-ATA

2020 DISTRIBUTION BASE RATE CASE

BOOK I – APPLICATION AND SUPPLEMENTAL
VOLUME 4 OF 11

Dayton Power and Light Company

DP&L Case No. 20-1651-EL-AIR

Standard Filing Requirements for Rate Increases

Table of Contents

Dayton Power and Light Company

DP&L Case No. 20-1651-EL-AIR

Standard Filing Requirements for Rate Increases

Table of Contents

Dayton Power and Light Company

DP&L Case No. 20-1651-EL-AIR

Standard Filing Requirements for Rate Increases

Table of Contents

Dayton Power and Light Company

DP&L Case No. 20-1651-EL-AIR

Standard Filing Requirements for Rate Increases

Table of Contents

THE DAYTON POWER & LIGHT COMPANY

Case No. 20-1651-EL-AIR

Supplemental Information (C)(1)

Requirement:

Provide the most recent federal regulatory agency's (FERC) audit report.

Response:

Please see attached most recent FERC audit report.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. PA12-6-000
June 6, 2013

AES Corporation
Attention: Mr. Brian Miller
Executive Vice President and General Counsel
4300 Wilson Blvd.
Arlington, VA 22203-4168

Dear Mr. Miller:

1. The Division of Audits within the Office of Enforcement has completed an audit of AES Corporation (AES) and its subsidiary companies (collectively, Companies). The audit evaluated the Companies' compliance with the conditions established in the Commission's Orders Authorizing Merger and Disposition of Jurisdictional Facilities issued March 9, 2010[1] and Disposition of Jurisdictional Facilities issued November 15, 2011.[2] The enclosed audit report contains no audit findings or recommendations.

2. On May 10, 2013, you notified us that the Companies agreed with the audit report. A copy of your response is attached to this report.

3. The Commission delegated the authority to act on this matter to the Director of OE under 18 C.F.R. § 375.311 (j) (2012). This letter order constitutes final agency action. You may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2012).

4. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of non-compliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

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[1] *AEE 2, L.L.C.,* 130 FERC ¶ 62,205 (2010).
[2] *The AES Corporation,* 137 FERC ¶ 61,122 (2011).

5. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director and Chief Accountant, Division of Audits at (202) 502-8741.

Sincerely,

Norman C. Bay
Director
Office of Enforcement

Enclosure

Federal Energy Regulatory Commission

Audit of AES Corporation and its Subsidiaries for Compliance with Conditions in the Commission's Orders Authorizing Merger and Disposition of Jurisdictional Facilities

Docket No. PA12-6-000
June 6, 2013

Office of Enforcement
Division of Audits

TABLE OF CONTENTS

I. Executive Summary

A. Overview

The Division of Audits within the Office of Enforcement has completed the audit of AES Corporation (AES) and its subsidiary companies (collectively, Companies) that commenced November 21, 2011. The audit evaluated the Companies' compliance with conditions established in the Commission's Orders Authorizing Merger and Disposition of Jurisdictional Facilities issued March 9, 2010[1] and Disposition of Jurisdictional Facilities issued November 15, 2011.[2] The audit covered March 9, 2010 through August 31, 2012.

B. AES, CIC and DPL

The AES merger and disposition of jurisdictional facilities involved two separate transactions among different companies. In the AES and China Investment Corporation (CIC) transaction, the Commission authorized Terrific Investment Corporation (Terrific), a wholly owned subsidiary of CIC to acquire a 15 percent ownership interest in AES, the parent company of the AES applicants.[3] In the AES and DPL, Inc. (DP&L) transaction, the Commission authorized AES to acquire 100 percent of DPL and its subsidiaries. The corporate structure and affiliations of the Companies at the time of application are described below.

AES Corporation

AES is a global power company that owns electric generation, transmission, and distribution facilities in 29 countries. AES indirectly owns 13,000 MW of generation in the United States through AES applicants (each is a public utility with market-based rate authority), qualifying facilities under the Public Utility Regulatory Policies Act of 1978 (PURPA),[4] and other competitive wholesale generation companies. Also, one AES subsidiary is Indianapolis Power & Light Company (IPL) a traditional, vertically

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[1] *AEE 2, L.L.C.,* 130 FERC ¶ 62,205 (2010).

[2] *The AES Corporation,* 137 FERC ¶ 61,122 (2011).

[3] AES applicants are AEE 2, L.L.C., AES Alamitos, L.L.C.; AES Armenia Mountain Wind, LLC; AES Energy Storage, LLC; AES Creative Resources, L.P.; AES Eastern Energy, L.P.; AES Ironwood, L.L.C.; AES Red Oak, L.L.C.; AES Huntington Beach, L.L.C.; AES Redondo Beach, L.L.C.;AES Placerita, Inc.; Condon Wind Power, LLC; Lake Benton Power Partners, LLC; Mountain View Power Partners, LLC; Storm Lake Power Partners II, LLC; and Indianapolis Power & Light Company.

[4] 16 U.S.C. § 824a-3 (2012).

integrated utility. IPL has no captive or bundled wholesale customers, and has market-based rate authority to make wholesale sales of electricity.

China Investment Corporation

CIC is an investment company headquartered in Beijing whose sole shareholder is the State Council of the People's Republic of China (PRC). CIC invests in private equity and other funds, which may in turn have some level of investment directly or indirectly in energy assets. But such CIC investments are in the form of passive, limited partnership interests that do not give CIC the ability to influence or control day-to-day operations and investment activities of those funds or energy assets. Terrific, a company incorporated under PRC law, is a wholly owned subsidiary of CIC that was formed to implement investment transactions like the one involving AES and CIC. CIC also has less than a 10 percent common stock passive ownership interest in Morgan Stanley and a 10 percent passive interest in the form of nonvoting common stock in the Blackstone Group.

DPL, Inc.

DPL is a diversified regional energy company based in Dayton, OH. DPL indirectly owns and operates some 3,929 MW of generating capacity in the PJM market. DPL through its principal subsidiaries Dayton Power and Light (DP&L), DPL Energy, LLC (DPLE), and DPL Energy Resources, Inc. (DPLER) generates and sells wholesale electricity and distributes and sells retail electricity to customers in west central Ohio. As to these affiliates, DP&L relinquished operational control of its bulk-power transmission facilities to PJM, conducts wholesale power activities through its Commission-approved market-based rate authority, and distributes power to retail customers under Ohio's retail choice program. DPLE owns and operates merchant generation facilities within the PJM market and has market-based rate authority to sell wholesale electricity. DPLER is an active competitive retail supplier in Ohio and nonactive alternative retail supplier in the states of Illinois, Michigan, and Pennsylvania.

C. Audit Conclusion

The audit did not result in any findings or recommendations that require the Companies to take corrective action at this time. Audit staff based its conclusion on the review of publicly available documents, materials provided in response to data requests, interviews with employees, and independent analysis.

II. Background

A. AES/CIC Transaction

Application Requesting Disposition of Jurisdictional Facilities

On January 11, 2010, as supplemented on February 25, 2010, AES and CIC filed an application under FPA section 203(a)(1)[5] requesting authorization for Terrific to acquire a 15 percent ownership interest in AES, the parent company of the AES applicants.[6] CIC made it clear in the application that it does not consider itself to be a holding company subject to FPA section 203(a)(2). As a result, AES and CIC requested transaction approval under FPA section 203(a)(1).[7]

In this transaction and under a stock purchase agreement dated November 6, 2009, AES proposed to issue and sell to Terrific 125,468,788 shares of AES common stock on a fully diluted basis for $1.58 billion ($12.60 per share). The jurisdictional facilities involved in this transaction consisted of AES' interconnection facilities, market-based rate schedules, power sales contracts, and various books and records, and IPL's transmission facilities and tariffs.

Commission Order Authorizing Disposition of Jurisdictional Facilities

On March 9, 2010, the Commission approved the application by issuing an Order Authorizing Disposition of Jurisdictional Facilities.[8] The Commission authorized the proposed transaction and imposed these conditions upon the Companies:

- Inform the Commission within 30 days of any change in circumstances that would differ from the facts it relied upon to approve the transaction.

- Notify the Commission within 10 days of disposing jurisdictional facilities.

- Make all appropriate filings under FPA section 205 as necessary to implement the proposed transaction.

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[5] 16 U.S.C. § 824b (2012).

[6] *AEE 2, L.L.C.*, Application for Authorization Under Section 203 of the Federal Power Act and Request for Expedited Action, Docket No. EC10-37-000 (filed January 11, 2010).

[7] *Id. at 16.*

[8] *See supra* note 1.

- Make recertification filings under 18 C.F.R. § 292.207 if the transaction results in a change in status or upstream ownership in affiliated qualifying facilities.

- Comply with Order No. 652 requirements to ensure necessary filings under FPA section 205 are made to implement the transaction. Order No. 652 requires sellers with market-based rate authority to timely report any change in status that departs from characteristics the Commission relied upon in granting market-based rate authority.

- Information and systems in this transaction connected to the bulk-power system may be subject to cyber security standards under FPA section 215, regardless of the physical location of affiliates, investors, information databases and operating systems involved. A public utility must take measures to deny access to information, equipment, and software connected to the bulk-power system to its affiliates, employees, and investors not authorized to have access to the information and systems. Mechanisms to deny access must comply with all applicable reliability and cyber security standards.

Besides these conditions, AES and CIC made certain assertions that the Commission relied upon to approve the transaction.

- CIC owns and will continue to own less than a 10 percent common stock interest in Morgan Stanley. CIC is a passive investor with no role in Morgan Stanley's management. As a passive investor, CIC also holds a 10 percent interest in the Blackstone Group in the form of nonvoting common stock units.

- CIC through Terrific indirectly will own about 15 percent of AES common stock upon consummation of the transaction. As long as Terrific holds 5 percent or more of AES' common stock, Terrific can nominate for election to AES' Board one representative at each annual meeting. If elected, this official will have no special powers or rights in Board decisions. Terrific, CIC, and affiliates are subject to stand-still and lockup restrictions that limit their ability to buy or sell voting securities of AES.

B. *AES/DPL Transaction*

Application Requesting Merger and Disposition of Jurisdictional Facilities

On May 18, 2011, AES, DPL, and DPL's public utility subsidiaries DP&L and DPLE filed a joint application under FPA sections 203(a)(1) and 203(a)(2),[9] requesting Commission authorization for AES to acquire 100 percent of DPL and its subsidiaries.[10] In the proposed transaction, AES would acquire DPL under a stock-for-cash exchange where DPL shareholders receive $30 per share of common stock.

The Agreement and Plan of Merger, dated April 19, 2011 contained the terms and conditions for the proposed transaction, by and among DPL, AES, and Dolphin Sub.[11] Under the agreement, Dolphin Sub would merge with and into DPL. As a result of the merger, Dolphin Sub ceased to exist, DPL would become a wholly owned direct subsidiary of AES, and DP&L and DPLE become indirect subsidiaries. After consummation of the proposed transaction, AES would hold all DPL's outstanding shares of common stock, and DPL stock would no longer be publicly traded.

Commission Order Authorizing Merger and Disposition of Jurisdictional Facilities

On November 15, 2011, the Commission approved the application by issuing an Order Authorizing Merger and Disposition of Jurisdictional Facilities.[12] The Commission authorized the proposed transaction and imposed these conditions upon the Companies:

- Inform the Commission within 30 days of any change in circumstances that would differ from the facts it relied upon in granting the application.

- Notify the Commission within 10 days of disposing jurisdictional facilities.

- Make all appropriate filings under FPA section 205 as necessary to implement the proposed transaction.

- Make a compliance filing within 30 days of order issuance to correct the typographical error in Exhibit M of the application.

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[9] 16 U.S.C. § 824b.

[10] The AES Corporation, Application for Authorization of Disposition of Jurisdictional Assets and Merger under sections 203(a)(1) and 203(a)(2) of the Federal Power Act, Docket No. EC11-81-000 (filed May 18, 2011).

[11] Dolphin Sub, Inc., an Ohio corporation, is a wholly owned subsidiary of AES formed on April 8, 2011 and was created solely for effecting the merger transaction.

[12] *See supra* note 2.

- File accounting entries within six months of consummating the proposed transactions involving entities subject to the Commission's Uniform System of Accounts that record any aspect of the proposed transaction in its accounts. An entity recording accounting entries after the six-month period has to file these entries within 60 days of recording them.

- Make a compliance filing to recover transaction-related costs through wholesale power or transmission rates. The filing must detail how the entity seeking recovery satisfies the hold-harmless requirements, identify transaction-related costs the entity seeks to recover, and demonstrate how savings produced from the merger and disposition of jurisdictional facilities equals or exceeds transaction-related costs.

- Information and/or systems in this transaction connected to the bulk-power system may be subject to cyber security standards under FPA section 215, regardless of the physical location of the affiliates, investors, information databases, and operating systems involved. A public utility must take measures to deny access to information, equipment, and software connected to the bulk-power system to affiliates, employees, and investors not authorized to have access to the information and systems. Mechanisms to deny access must comply with all applicable reliability and cyber security standards.

Besides these conditions, AES and DPL asserted the proposed transaction has no adverse effect on wholesale cost-based rates. To provide further assurance, the Companies committed to hold transmission and wholesale requirement customers harmless for five years from all transaction-related costs, not only costs related to consummating the proposed transaction.

III. Introduction

A. Objectives

The audit evaluated whether the Companies complied with conditions in the Commission's Orders Authorizing Merger and Disposition of Jurisdictional Facilities issued March 9, 2010[13] and Disposition of Jurisdictional Facilities issued November 15, 2011.[14] The audit covered March 9, 2010 through August 31, 2012.

B. Scope and Methodology

Audit staff performed specific steps to facilitate its evaluation of the Companies' compliance with audit scope areas. Specifically, audit staff:

- Reviewed publicly available materials, including filings and orders, and other relevant information in the Commission's eLibrary records system and available on public web sites.

- Identified standards and criteria to evaluate compliance with the conditions embodied in the Commission's order. These standards and criteria included rules, regulations, and statutes governing the disposition of jurisdictional facilities transaction.

- Issued data requests to gather information needed to evaluate compliance with conditions outlined in the Commission's Order. Audit staff used this information as its underlying support for compliance testing and evaluating.

- Conducted teleconferences with company employees to discuss administrative and technical matters relevant to the audit scope. These calls served as the primary communication channel with employees throughout the audit. Administrative matters pertained to audit process and data requests, while technical matters pertained to specific areas relevant to the audit scope.

Audit staff performed specific actions to evaluate compliance with the conditions embodied in the Commission's order approving the disposition of jurisdictional facilities and other applicable Commission regulations associated with the AES and CIC transaction. Specifically, audit staff:

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[13] *See supra* note 1.
[14] *See supra* note 2.

- Reviewed regulatory activities to confirm required filings were made upon consummating and implementing the transaction with the Commission. Also, whether the Companies filed to request recovery of transaction-related costs before satisfying the hold-harmless requirements.

- Reviewed information in the disposition of jurisdictional facilities application, corporate organizational charts, and other sources to identify affiliates with market-based rate authority and changes in ownership or control of generation or transmission facilities since filing the application. Audit staff used this information to determine whether departures from circumstances the Commission relied upon to approve the transaction occurred and for granting market-based rate authority. For any changes, audit staff confirmed the Companies made appropriate filings with the Commission.

- Examined the Companies' disposition of jurisdictional facility application, generation resource portfolio, and other sources to identify change in status or upstream ownership for qualifying facilities. Audit staff used this information to determine whether the Companies needed to file with the Commission for certification or recertification of qualifying facilities with the Commission.

- Reviewed applicability of reliability and cyber security standards, and mechanisms the Companies used to deny access to information and systems connected to the Bulk-Power System. Audit staff limited its review to critical assets and critical cyber assets.

- Reviewed generation and transmission facilities AES and CIC owned and controlled to ensure the accuracy of assertions relating to vertical and horizontal market power in their application.

- Examined security filings and trade confirmations to validate CIC accurately reflected its ownership interest in AES, Morgan Stanley, and Blackstone in the application, and those interests remained below levels of controlling interest or of limited voting power to preclude them from having the ability to influence management's decision making at these companies.

- Reviewed CIC and its affiliate's positions, powers, and voting rights on AES' Board of Directors to ensure decision making control did not exist, and the positions held were within the confines of its application.

- Reviewed organizational structure in periods subsequent to the merger to identify new associate companies and determine whether these companies imposed concerns related to cross subsidization and the pledge or encumbrance of utility assets for the benefit of an associate company.

The AES and DPL transaction contained many of the same conditions as the previous transaction involving AES and CIC. The most significant difference in the AES and DPL transaction was the assertion pertaining to the effect on rates. The Companies committed not to include merger-related costs in their transmission revenue requirements or in any wholesale requirements rates, except to the extent they could demonstrate that merger-related savings are equal to or more than the transaction-related costs included in the rate filing for a five-year period. The Commission conditioned this by requiring the Companies to make a compliance filing if they planned to recover transaction-related costs through wholesale power or transmission rates before the five year period. To evaluate this assertion audit staff:

- Reviewed the Companies' procedures, processes, and controls implemented to track transaction-related costs and prevent premature recovery of these costs from transmission and wholesale requirement customers.

- Examined the accumulation of transaction-related costs on the holding company's books and the underlying accounting for these costs.

- Examined franchised public utility companies with captive customers to determine whether the holding company assigned any transaction-related costs to them.

- Evaluated rate mechanisms and identified changes in fixed cost of service rates since the transaction consummated, to determine whether the Companies recovered transaction-related costs before the five-year period, absent making a filing with the Commission.

- Held discussions with the Companies' accounting and ratemaking employees to determine whether they plan to file to recover transaction-related costs before the five-year period.

- Reviewed organizational structure in periods after the merger to identify new associated companies and determine whether these companies imposed concerns related to cross-subsidization and the pledge or encumbrance of utility assets for the benefit of an associate company.

Besides these compliance tests, audit staff conducted a limited review of the Companies' regulatory compliance program relative to the audit objective and prior Commission policy statements on compliance focusing on: (1) the role of senior management in fostering compliance; (2) effective preventive measures to ensure compliance; (3) prompt detection, cessation, and reporting of violations; and (4) remediation efforts.

Appendix: Audit Report Comments

May 10, 2013

Mr. Bryan Craig
Director and Chief Accountant
Division of Audits
Office of Enforcement
Federal Energy Regulatory Commission
888 First Street, N.E., room 5K-13
Washington, DC 20426

Re: Office of Enforcement
Docket No. PA12-6-000

Dear Mr. Craig:

The AES Corporation has received your draft audit report dated May 6, 2013 in connection with the above-referenced docket number. We have no comments to the draft audit report. We appreciate the time, effort and constructive assistance from FERC in working with AES throughout the audit process. If you have any questions, please do not hesitate to call Paul Freedman at (703) 682-1159 or me at (703) 682-6427.

Very truly yours,

Brian A. Miller
Executive Vice President, Secretary and
General Counsel

The AES Corporation

Document Content(s)

THE DAYTON POWER & LIGHT COMPANY

Case No. 20-1651-EL-AIR

Supplemental Information (C)(2)

Requirement:

Provide prospectuses of current stock and/or bond offering of the applicant, and/or of parent company if applicant is a wholly owned subsidiary. In the event there are no current offerings, then provide the most recent offerings.

Response:

Please see attached the most recent offering for both The Dayton Power and Light Company and DPL Inc.

OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

$425,000,000

The Dayton Power and Light Company

First Mortgage Bonds, 3.950% Series due 2049

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

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

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

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

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

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

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

Joint Book-Running Managers

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

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

Co-Managers

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

Offering Memorandum dated June 3, 2019.

TABLE OF CONTENTS

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

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

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

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

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

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

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

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

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

INCORPORATION BY REFERENCE

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

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

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

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

EXTENDED SETTLEMENT

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

REGISTRATION RIGHTS; SEC REVIEW

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

SUMMARY

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

The Dayton Power and Light Company

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

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

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

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

Company Information

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

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

THE OFFERING

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

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

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

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

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OPERATING DATA

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

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

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

RISK FACTORS

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

Risks Related to the Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is sensitive to weather and seasonal variations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the New Bonds

The collateral securing the new bonds is illiquid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

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

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

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

RATIO OF EARNINGS TO FIXED CHARGES

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

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

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

CAPITALIZATION

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

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

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

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

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

BUSINESS

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

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

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

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

Seasonality

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

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

Rate Regulation and Government Legislation

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

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

Competition and Regulation

Ohio Matters

Ohio Retail Rates

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

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

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

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

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

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

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

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

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

Ohio Competitive Considerations and Proceedings

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

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

Environmental Matters

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

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

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

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

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

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

Environmental Matters Related to Air Quality

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

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

Notices of Violation Involving Co-Owned Units

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

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

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

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

Notices of Violation Involving Wholly-Owned Stations

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

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

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

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

Clean Water Act—Regulation of Water Discharge

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

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

Clean Water Act rules for Selenium

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

Regulation of Waste Disposal

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

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

Regulation of CCR

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

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

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

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

Executive Overview

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

Results of Operations

Income Statement Highlights

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

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

Statement of Operations Highlights

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

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

Our electric sales and billed customers were as follows:

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

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

Revenues

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

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

Cost of Revenues

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

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

Operation and Maintenance

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

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

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

Loss on Disposal of Business

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

Interest Expense

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

Income Tax Expense

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

Key Trends and Uncertainties

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

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

Macroeconomic and Political

United States Tax Law Reform

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

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

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

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

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

LIBOR Phase Out

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

Regulatory Environment

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

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

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

Capital Resources and Liquidity

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

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

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

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

Cash Flows

The following table summarizes our cash flows:

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

Net Cash from Operating Activities

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

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

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

Net cash from investing activities

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

Net cash from financing activities

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

Liquidity

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

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

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

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

Capital Requirements

Construction Additions

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

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

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

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

Debt Covenants

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

Credit Ratings

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

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

(a) Rating relates to our senior secured debt.

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

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

(a) Rating relates to our senior secured debt.

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

Revenue Recognition (including Unbilled Revenue)

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

Income Taxes

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

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

Regulatory Assets and Liabilities

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

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

AROs

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

Impairments

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

Pension and Postretirement Benefits

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

Contingent and Other Obligations

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

Market Risk

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

Purchased power costs

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

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

Interest rate risk

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

Principal payments and interest rate detail by contractual maturity date

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

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

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

Credit risk

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

Legal and Other Matters

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

DESCRIPTION OF THE NEW BONDS

General

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

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

Maturity, Interest and Payment

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

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

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

Optional Redemption

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

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

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

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

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

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

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

"Quotation Agent" means the Reference Treasury Dealer.

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

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

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

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

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

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

Priority and Security

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

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

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

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

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

Release of Property

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

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

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

Issuance of Additional First Mortgage Bonds

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

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

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

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

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

Modification of Mortgage

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

Events of Default

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

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

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

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

Satisfaction and Discharge of the Mortgage

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

Merger, Consolidation and Sale

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

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

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

Dividend Covenant

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

Defeasance

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

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

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

- a combination of options in the preceding bullet points,

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

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

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

Regarding the Trustee

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

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

Book-Entry, Delivery and Form

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

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

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

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

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

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

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

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

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

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

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

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

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

EXCHANGE OFFER; REGISTRATION RIGHTS

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

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

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

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

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

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

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

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

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

Tax Consequences to U.S. Holders

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

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

Payments of Interest

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

Sale, Exchange or Other Disposition

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

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

Backup Withholding and Information Reporting

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

Tax Consequences to Non-U.S. Holders

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

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

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

Subject to the discussions below concerning backup withholding and FATCA:

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

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

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

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

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

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

Backup Withholding and Information Reporting

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

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

FATCA Legislation

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

NOTICE TO INVESTORS

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

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

(2) It is either:

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

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

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

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

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

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

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

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

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

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

PLAN OF DISTRIBUTION

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

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

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

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

In the purchase agreement, we have agreed that:

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

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

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

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

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

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

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

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

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

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

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

Selling Restrictions

United Kingdom

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

European Economic Area

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

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

Japan

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

Hong Kong

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

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

Singapore

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

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

Switzerland

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

Canada

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

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

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

United Arab Emirates

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

LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

$425,000,000

The Dayton Power and Light Company

First Mortgage Bonds, 3.950% Series due 2049

OFFERING MEMORANDUM

Joint-Book Running Managers

BofA Merrill Lynch

J.P. Morgan

PNC Capital Markets LLC

SunTrust Robinson Humphrey

US Bancorp

Co-Managers

BMO Capital Markets

Fifth Third Securities

Huntington Capital Markets

June 3, 2019

Offering memorandum **Strictly confidential**

DPL Inc.

$415,000,000

4.125% Senior Notes due 2025

Interest payable January 1 and July 1

Issue price: 100% of principal amount plus accrued interest, if any, from June 19, 2020

The notes will mature on July 1, 2025. The notes will pay interest semi-annually in cash in arrears on January 1 and July 1 of each year, beginning January 1, 2021.

We intend to use the net proceeds from this offering, together with cash on hand and/or the proceeds of other short-term borrowings, to redeem all of the $380.0 million aggregate principal amount of our 7.25% senior unsecured notes due 2021 (the "2021 Notes") outstanding and to pay certain related fees and expenses. Any remaining proceeds will be used for general corporate purposes. See "Use of Proceeds."

Prior to April 1, 2025 (the date that is three months prior to the maturity date), we may redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount thereof, plus a "make-whole" amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after April 1, 2025 (the date that is three months prior to the maturity date), we may redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. See "Description of the Notes."

The notes will be our unsecured senior obligations and will rank equally in right of payment with all of our other senior unsecured debt and be effectively subordinated in right of payment to all of our existing and future secured debt to the extent of the value of the assets securing such debt. In addition, the notes will be effectively subordinated to all of the debt and other liabilities (including trade payables) of our subsidiaries.

Upon the occurrence of a change of control triggering event as described in this offering memorandum, you may require the repurchase of some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The notes will be issued only in registered form in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

See "Risk Factors" beginning on page 7 for a discussion of certain risks that you should consider in connection with an investment in the notes.

The notes have not been registered under the Securities Act or the securities laws of any other jurisdiction. Unless they are registered, the notes 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 notes are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers in accordance with Rule 144A and outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further details about eligible offerees and resale restrictions, see "Notice to Investors."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this offering memorandum. Any representation to the contrary is a criminal offense.

We have agreed to exchange the notes for a new issue of substantially identical registered notes under the Securities Act of 1933, as amended (the "Securities Act") by filing an exchange offer registration statement or, under specified circumstances, a shelf registration statement with the Securities and Exchange Commission (the "SEC"). See "Registration Rights."

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about June 19, 2020.

Joint book-running managers

J.P. Morgan **Morgan Stanley**

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

Co-managers

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

June 17, 2020

Table of contents

In this offering memorandum, unless otherwise noted or the context otherwise requires, (i) "DPL Inc.," "DPL," the "Company," "we," "us" and "our" refer to DPL Inc. and its subsidiaries and (ii) "DP&L" refers to The Dayton Power and Light Company, a subsidiary of DPL Inc. It is important for you to read and consider all information contained or incorporated by reference in this offering memorandum.

We and the initial purchasers have not authorized anyone to provide any information other than that contained in this offering memorandum or to which we have referred you. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This offering memorandum may only be used where it is legal to sell these securities. The information in this offering memorandum may only be accurate on the date of this document. Any information we have incorporated by reference may be accurate only as of the date of the document or report incorporated by reference. You should not assume that the information contained or incorporated by reference in this offering memorandum is accurate as of any other dates. Neither the delivery of this offering memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set forth in this offering memorandum or in our affairs since the date of this offering memorandum.

We are offering the notes in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the notes. The distribution of this offering memorandum by you to any other person (other than any person retained by you to advise you with respect to your purchase) is not authorized, and any disclosure by you of any of its contents, without our prior written consent, is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and you agree not to make photocopies of this offering memorandum. In making a purchase of notes, you will be deemed to have made the acknowledgments, representations and agreements provided in the section of this offering memorandum entitled "Notice to Investors."

We are providing the information contained or incorporated by reference in this offering memorandum on a confidential basis solely to a limited number of qualified institutional buyers and non-U.S. investors solely for use in connection with the proposed private offering of the notes based upon information from sources we believe to be reliable. The information contained in this offering memorandum has been furnished by us and other sources we believe to be reliable. The initial purchasers have not separately verified the information contained herein and accordingly, make no representations or warranty, express or implied, as to the accuracy or completeness of any of the information set forth in this offering memorandum, and you should not rely on anything contained in this offering memorandum as a promise or representation, whether as to the past or the future.

We reserve the right to withdraw this offering of notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes, in whole or in part. We and the initial purchasers also reserve the right to allot to you less than the full amount of notes sought by you. We are making this offering subject to the terms described in this offering memorandum and the indenture that will govern notes.

Upon receiving this offering memorandum, you acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (2) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with any investigation of the accuracy of such information or your investment decision and (3) we have not authorized any person to deliver any information different from that contained in this offering memorandum. The offering is being made on the basis of this offering memorandum. Any decision to purchase the notes in the offering must be based on the information contained in this document. The contents of this offering memorandum are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

The laws of some jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the notes. To purchase the notes, you must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or resell the notes or possess this offering memorandum. You must also obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or resale. Neither we nor the initial purchasers nor our or their respective representatives are making any representation to you or any person regarding the legality of any investment in the notes by you or any person under applicable legal investment or similar laws or regulations. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the notes to you or any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

Some persons participating in this offering, including the initial purchasers, may engage in transactions that stabilize, maintain or otherwise affect the price of the notes, including over-allotment, stabilizing and short-covering transactions in the notes, and the imposition of a penalty bid, during and after this offering of the notes. Such stabilization, if commenced, may be discontinued at any time. For a description of these activities, please refer to the section in this offering memorandum entitled "Plan of Distribution."

This offering memorandum contains or incorporates by reference summaries of contracts and other documents that it refers you to. These summaries may not contain all of the information that is important to you. You should read the actual contract or document for a more complete understanding of the contract or document involved. Each statement in this offering memorandum summarizing the provisions of a contract or other document is qualified in all respects by reference to the actual document, which may be obtained from us at the address set forth under "Where You Can Find More Information."

Neither the Securities and Exchange Commission nor any other federal or state securities commission has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in the offering memorandum in the section entitled "Notice to Investors." Please refer to the sections in this offering memorandum entitled "Plan of Distribution" and "Notice to Investors."

The notes will be available in book-entry form only. We expect that the notes sold pursuant to this offering memorandum will be issued in the form of one or more global certificates, which will be deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global certificates will be shown on, and transfers of the global certificates will be effected only through, records maintained by DTC and its participants. After the initial issuance of the global certificates, notes in certificated form will be issued in exchange for the global certificates only as set forth in the indenture governing the notes. See "Description of the Notes—Depository Procedures."

Where you can find more information

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

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

You may also obtain copies of the documents described in this offering memorandum by writing to us at the following address: DPL Inc., 1065 Woodman Drive, Dayton, Ohio 45432, Attention: Treasurer or telephoning us at 937-259-7215.

Securities and Exchange Commission review

We have agreed to (i) file a registration statement with the SEC with respect to a registered offer to exchange the notes offered hereby for new notes having terms substantially identical to the notes offered hereby (except that such new notes will not contain terms with respect to additional interest or transfer restrictions) or (ii) in certain circumstances, file a shelf registration statement with respect to resales of the notes. See "Registration Rights." In the course of review by the SEC of the registration statement, we may be required to make changes to the description of our business, financial statements and other information in those documents and filings. While we believe that our financial statements and other financial data included or incorporated by reference in this offering memorandum have been prepared in a manner that complies, in all material respects, with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the SEC, as applicable, comments by the SEC may require modification or reformulation of such financial statements and other information included or incorporated by reference in this offering memorandum.

Incorporation by reference

We are "incorporating by reference" certain information DPL filed with the SEC into this offering memorandum, which means that we are disclosing important information to you by referring you to those documents without restating it in this offering memorandum. We incorporate by reference into this offering memorandum the documents listed below and any future filings made by DPL with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") prior to the termination of this offering, and such documents form an integral part of this offering memorandum:

- DPL's Current Reports on Form 8-K, filed with the SEC on March 6, 2020, May 13, 2020 and June 5, 2020;
- DPL's combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, filed with the SEC on May 7, 2020 (other than the DP&L information included therein, including DP&L's financial statements and schedules) (our "Form 10-Q"). Information contained in the Form 10-Q relating to DP&L was filed by DP&L as an individual registrant on its own behalf. We make no representation as to and do not incorporate by reference any information relating to DP&L or any registrant other than ourselves; and
- DPL's combined Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 28, 2020 (other than the DP&L information included therein, including DP&L's financial statements and schedules) (our "Form 10-K"). Information contained in the Form 10-K relating to DP&L was filed by DP&L as an individual registrant on its own behalf. We make no representation as to and do not incorporate by reference any information relating to DP&L or any registrant other than ourselves.

Unless specifically stated to the contrary, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K or that it has or may from time to time furnished to the SEC or any other document or information deemed to have been furnished and not filed with the SEC will be incorporated by reference into, or otherwise included in, this offering memorandum.

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

Forward-looking statements

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

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

- growth in our service territory and changes in demand and demographic patterns;
- weather-related damage to our electrical system;
- performance of our suppliers;
- transmission and distribution system reliability and capacity;
- regulatory actions and outcomes, including, but not limited to, the review and approval of our rates and charges by the Public Utilities Commission of Ohio ("PUCO");
- federal and state legislation and regulations;
- changes in our credit ratings or the credit ratings of The AES Corporation, a global power company and our ultimate parent company ("AES");
- fluctuations in the value of pension plan assets, fluctuations in pension plan expenses and our ability to fund defined benefit pension plans;
- changes in financial or regulatory accounting policies;
- environmental matters, including costs of compliance with, and liabilities related to, current and future environmental laws and requirements;
- interest rates and the use of interest rate hedges, inflation rates and other costs of capital;
- the availability of capital;
- the ability of subsidiaries to pay dividends or distributions to DPL;
- level of creditworthiness of counterparties to contracts and transactions;
- labor strikes or other workforce factors, including the ability to attract and retain key personnel;

- facility or equipment maintenance, repairs and capital expenditures;
- significant delays or unanticipated cost increases associated with construction projects;
- the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material;
- local economic conditions;
- costs and effects of legal and administrative proceedings, audits, settlements, investigations and claims and the ultimate disposition of litigation;
- industry restructuring, deregulation and competition;
- issues related to our participation in PJM Interconnection, LLC ("PJM"), a regional transmission organization ("RTO"), including the cost associated with membership, allocation of costs, costs associated with transmission expansion, the recovery of costs incurred, and the risk of default of other PJM participants;
- changes in tax laws and the effects of our tax strategies;
- product development, technology changes, and changes in prices of products and technologies;
- cyberattacks and information security breaches;
- the use of derivative contracts;
- catastrophic events such as fires, explosions, terrorist acts, acts of war, pandemic events, including the recent outbreak of COVID-19, or natural disasters such as floods, earthquakes, tornadoes, severe winds, ice or snowstorms, droughts, or other similar occurrences; and
- the risks and other factors discussed in this offering memorandum and other DPL filings with the SEC.

All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and many are beyond our control. See "Risk Factors" and/or "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum, our Form 10-K, our Form 10-Q and any document incorporated by reference herein for a more detailed discussion of the foregoing and certain other factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook. Any forward-looking statement made by us in this offering memorandum and in any document incorporated by reference herein or therein speaks only of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Summary

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

About DPL

We are a diversified regional energy company incorporated under the laws of the State of Ohio in 1985 with two primary subsidiaries: DP&L and Miami Valley Insurance Company ("MVIC"). DP&L is a public utility providing electric transmission and distribution services in West Central Ohio. MVIC is our captive insurance company that provides insurance services to us and our subsidiaries. We also have a wholly-owned business trust, DPL Capital Trust II ("Capital Trust II"), formed for the purpose of issuing trust capital securities to investors. All of our subsidiaries are wholly-owned.

DP&L is a public utility incorporated in 1911 under the laws of Ohio. DP&L offers retail standard service offer ("SSO") electric service to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio and has the exclusive right to provide distribution and transmission services to approximately 527,000 customers located in West Central Ohio. DP&L's core infrastructure includes over 1,700 miles of overhead transmission lines, over 17,900 miles of distribution lines and 152 substations. DP&L has a 4.9% interest in Ohio Valley Electric Corporation ("OVEC"), an electric generating company. OVEC has two electric generating stations located in Cheshire, Ohio and Madison, Indiana with a combined generation capacity of 2,109 megawatts ("MW"). DP&L's share of this generation capacity is 103 MW.

The principal industries located in DP&L's service territory include automotive, food processing, paper, plastic, manufacturing and defense. DP&L's sales reflect general economic and competitive conditions, seasonal weather patterns of the area and the growth of energy efficiency initiatives, however, its distribution revenues were decoupled from weather and energy efficiency variations from January 1, 2019 through December 18, 2019. In the first quarter of 2020, DP&L filed a petition to continue to accrue the impacts of decoupling for recovery through a future rate proceeding, but it is unknown at this time how the PUCO will rule on that petition.

We strive to achieve stable, long-term growth through efficient operations and strong customer and regulatory relations. More specifically, our strategy is to utilize the transmission and distribution assets that transfer electricity at the most efficient cost, and to maintain the highest level of customer service and reliability. Our total consolidated revenue and net income for the quarter ended March 31, 2020 were $174.7 million and $1.9 million, respectively. In addition, as of March 31, 2020, we had total assets of approximately $1.9 billion. Our business is not dependent on any single customer or group of customers.

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

Recent developments

Our results for the three months ended June 30, 2020 will be adversely affected, compared to the same period in the prior year, as a result of the impact of changes to DP&L's electric security plan in December 2019, primarily consisting of the removal of the distribution modernization rider, distribution investment rider and the absence of approximately $9.6 million of decoupling revenue that was recognized in the three months ended June 30, 2019, partially offset by the reinstatement of the rate stabilization charge rider.

In the first half of 2020, AES provided a statement of intent to provide capital contributions of $150 million in the aggregate to DPL or DP&L, by June 30, 2020 (the "2020 Contribution") to enable DP&L to improve its infrastructure and modernize its grid while maintaining liquidity. In addition, AES provided a statement of intent to contribute an additional $150 million to DPL or DP&L in 2021 (the "2021 Contribution" and, together with the 2020 Contribution, the "Contributions") to enable smart grid investment. The payment of the Contributions to DPL or DP&L are not guaranteed and are dependent on certain conditions, including, with respect to the 2021 Contribution, recovery of grid modernization investments through the infrastructure investment rider.

In response to the PUCO's COVID-19 emergency orders, DP&L filed an Application on March 23, 2020, requesting waivers of certain rule and tariff requirements and deferral of certain costs and revenue associated with foregone reconnection fees and late payment fees and on April 15, 2020, supplemented the application with a separate request for certain billing modifications for commercial and industrial customers, and deferral of the amounts associated with waiving minimum demand charges. On May 20, 2020, the PUCO approved the application related to the deferral of the certain costs and revenues and denied the billing modification proposal, encouraging instead that DP&L develop payment plans for individual customers.

Redemption of the 2021 notes

We intend to use the net proceeds from this offering, together with cash on hand and/or the proceeds of other short-term borrowings, to redeem all of our outstanding 2021 Notes issued under the indenture dated as of October 3, 2011, as amended and supplemented, by and between the Company, as successor to Dolphin Subsidiary II, Inc., and Wells Fargo Bank, N.A., as trustee (the "2021 Notes indenture"). As of the date of this offering, $380.0 million in aggregate principal amount of the 2021 Notes are currently outstanding. Nothing in this offering memorandum should be construed as an offer to purchase, notice of redemption or a solicitation of an offer to purchase any of the outstanding 2021 Notes.

Company information

As of March 31, 2020, we employed 625 people. We are indirectly-owned by AES, which is a global power company with operations in 15 countries. Our principal executive office is located at 1065 Woodman Drive, Dayton, Ohio 45432, and our telephone number is (937) 259-7215. Our website address is http://www.dpandl.com. Material contained on our website is not part of and is not incorporated by reference in this offering memorandum.

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

The offering

The following is a summary of some of the terms of the notes offered hereby and it is not intended to be complete. For a more complete description of the terms of the notes, see "Description of the Notes" in this offering memorandum. You should read the full text and more specific details contained elsewhere or incorporated by reference in this offering memorandum.

Issuer	DPL Inc., an Ohio corporation.
Notes offered	$415.0 million aggregate principal amount of 4.125% Senior Notes due 2025.
Maturity	The notes will mature on July 1, 2025.
Interest	The notes will bear interest at an annual rate equal to 4.125%. Interest on the notes will be paid on each January 1 and July 1, beginning on January 1, 2021.
Record date	The regular record date for each interest payment date for the notes will be the close of business on each June 15 or December 15 immediately preceding such interest payment date.
Denominations	The notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Ranking	The notes will be DPL's unsecured and unsubordinated obligations and will rank: • equal in right of payment with all of DPL's other senior unsecured debt; • effectively junior in right of payment to (a) DPL's secured debt, if any, to the extent of the value of the assets securing such debt and (b) the debt and other liabilities (including trade payables) of DPL's subsidiaries; and • senior in right of payment to any of DPL's subordinated debt (if any). As of March 31, 2020, the aggregate principal amount of our outstanding indebtedness was approximately $1,557.1 million. At March 31, 2020, the aggregate principal amount of the outstanding indebtedness of DPL's subsidiaries was approximately $667.5 million. The indenture under which the notes will be issued will not contain restrictions on the amount of additional unsecured indebtedness that DPL may incur or the amount of indebtedness (whether secured or unsecured) that DPL's subsidiaries may incur (subject to compliance with the Limitations on Liens covenant in the case of secured debt). There will be no recourse against AES with respect to the notes offered hereby.
Use of proceeds	The expected net proceeds from this offering are estimated to be approximately $408.3 million, after deducting discounts and commissions and other offering expenses. We intend to use the net proceeds from this offering, together with cash on hand and/or the proceeds of other short-term borrowings, to redeem all of the $380.0 million aggregate principal amount of the 2021 Notes outstanding and to pay certain related fees and expenses. Any remaining proceeds will be used for general corporate purposes. See "Use of Proceeds."

Change of control	Upon the occurrence of a change of control triggering event (as described in "Description of the Notes—Repurchase at the Option of Holders"), you may require the repurchase of some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.
Optional redemption	Prior to April 1, 2025 (the date that is three months prior to the maturity date), we may redeem some or all of the notes at any time and from time to time at a redemption price, together with accrued and unpaid interest to the date of redemption, equal to the greater of: • 100% of their principal amount; or • the sum of the present values of the remaining scheduled payments of principal and interest on the notes, discounted from the redemption date to (the date that is months prior to the maturity date) on a semiannual basis at the treasury yield plus 50 basis points. On or after April 1, 2025 (the date that is three months prior to the maturity date), we may redeem some or all of the notes at any time and from time to time at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest on the notes to be redeemed to the date of redemption. See "Description of the Notes—Optional Redemption."
Covenants	The indenture that will govern the notes will contain covenants that, among other things, will limit our ability and, in the case of restrictions on liens, the ability of our significant subsidiaries to: • create certain liens on assets and properties; and • consolidate or merge, or convey, transfer or lease substantially all of our consolidated properties and assets. These covenants are subject to important exceptions and qualifications, which are described in "Description of the Notes—Covenants." The indenture that will govern the notes will not in any way restrict or prevent DP&L or any other DPL subsidiary from incurring indebtedness (subject to compliance with the Limitation on Liens covenant in the case of secured debt).
Book-entry form	The notes will be issued in registered book-entry form represented by one or more global notes to be deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee for the accounts of its direct and indirect participants including Clearstream and Euroclear. Transfers of the notes will be effected only through the facilities of DTC. Beneficial interests in the global notes may not be exchanged for certificated notes except in limited circumstances.

Absence of trading market	The notes will be a new class of security and there is currently no established trading market for the notes. The initial purchasers have advised us that they currently intend to make a market in the notes. However, you should be aware that they are not obligated to make a market and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the notes may not be available if you wish to sell your notes. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.
Registration rights	Under a registration rights agreement to be executed in connection with this offering, we will agree to file an exchange offer registration statement registering exchange notes with the SEC that have substantially identical terms as the notes and to use commercially reasonable efforts to consummate an offer to exchange the exchange notes for the notes on or prior to the date that is 390 days after the date of issuance of the notes. We also will agree to file and to use commercially reasonable efforts to cause to become effective a shelf registration statement relating to the resale of the notes under certain circumstances. We will pay additional interest on the notes if the exchange offer is not completed by the applicable dates set forth above, if the shelf registration statement is not declared effective by the 90th day after such obligation arises in each case, if required, until the completion of the exchange offer, the shelf registration statement is declared effective or the notes are freely tradable. See "Registration Rights."
Transfer restrictions	The notes have not been registered under the Securities Act and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Notice to Investors."
Trustee	U.S. Bank National Association.
Governing law	The indenture that will govern the notes offered hereby and the notes will each be governed by, and will be construed in accordance with, the laws of the State of New York.
Risk factors	Before investing in the notes, you should carefully consider the information discussed under the section entitled "Risk Factors" in this offering memorandum, our Form 10-K and our Form 10-Q incorporated by reference herein.

Summary historical consolidated financial information and other operating data

The following table presents our summary historical financial information and other operating data for the periods presented, which should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes thereto in our Form 10-K incorporated by reference herein and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and the related notes thereto in our Form 10-Q incorporated by reference herein.

The summary statement of operations data and statement of cash flows data for the years ended December 31, 2019, 2018 and 2017 and the summary balance sheet data as of December 31, 2019, 2018 and 2017 are derived from our audited consolidated financial statements incorporated by reference herein. The summary statement of operations data and statement of cash flows data for the three months ended March 31, 2020 and 2019 and the summary balance sheet data as of March 31, 2020 and 2019 are derived from our unaudited condensed consolidated financial statements incorporated by reference herein. The historical results of operations are not necessarily indicative of results to be expected for any future period.

	Three months ended March 31,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited, $ in millions)		(audited, $ in millions)		
Total electric sales (millions of kWh)	3,682	3,931	15,108	15,728	14,679
Statement of Operations Data:					
Revenues	$ 174.7	$ 209.0	$ 763.3	$ 775.9	$ 743.9
Fixed-asset impairment(1)	–	–	3.5	2.8	–
Operating income	20.2	41.5	147.5	135.5	105.2
Income / (loss) from continuing operations	0.9	16.5	45.9	31.2	(1.5)
Income / (loss) from discontinued operations, net of tax	1.0	25.6	59.5	38.9	(93.1)
Net income / (loss)	1.9	42.1	105.4	70.1	(94.6)
Capital expenditures	44.6	34.3	168.1	103.6	121.5
Balance Sheet Data (end of period):					
Total assets	1,918.4	1,865.7	1,935.8	1,883.1	2,049.2
Long-term debt(2)	1,223.7	1,372.1	1,223.3	1,372.3	1,700.2
Total common shareholders' deficit	$ (370.3)	$ (428.4)	$ (371.9)	$ (471.7)	$ (584.3)

(1) Fixed-asset impairments of $175.8 million in 2017 have been reclassified to discontinued operations.

(2) Excludes current maturities of long-term debt.

Risk factors

Investing in the notes involves a high degree of risk. You should carefully consider the risks discussed below, together with the financial and other information contained or incorporated by reference in this offering memorandum, before deciding whether to invest in the notes. In addition to the risk factors discussed below, please read "Risk Factors" and "Forward-Looking Statements" in our Form 10-K and our Form 10-Q, which are incorporated herein by reference, and "Forward-Looking Statements" herein, for more information about important risks that you should consider before investing in the notes. If any of the risks described below or in the documents incorporated by reference actually occurs, our business, business prospects, financial condition, results of operations or cash flows could be materially adversely affected. In any such case, the value of the notes could decline, and you could lose all or part of your investment. The risks below and those incorporated by reference in this offering memorandum are not the only ones facing us. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us.

Risk related to the business

The current outbreak of the novel coronavirus, or COVID-19, has adversely affected, and it or the future outbreak of any other highly infectious or contagious diseases could materially and adversely affect, our generation facilities, transmission and distribution systems, results of operations, financial condition and cash flows. Further, the spread of the COVID-19 outbreak has caused severe disruptions in the U.S. and global economy and financial markets and could potentially create widespread business continuity issues of an as yet known magnitude and duration.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread to over 180 countries, including every state in the United States. On March 11, 2020 the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020 the United States declared a national emergency with respect to COVID-19. On March 12, 2020, the PUCO issued an emergency order prohibiting electric utilities, including us, from discontinuing electric utility service to customers.

The outbreak of COVID-19 has severely impacted global economic activity, caused significant volatility and negative pressure in financial markets and reduced the demand for energy in our service territory. In addition to reduced revenues and lower margins resulting from decreased energy demand within our service territory, we also will incur expenses relating to COVID-19, and such expenses may include those that relate to events outside of our control. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession. COVID-19 or another pandemic could have material and adverse effects on our results of operations, financial condition and cash flows due to, among other factors:

- further decline in customer demand as a result of general decline in business activity;
- further destabilization of the markets and decline in business activity negatively impacting our customer growth or the number of customers in our service territory as well as our customers' ability to pay for our services when due (or at all);
- delay or inability in obtaining regulatory actions and outcomes that could be material to our business, including for recovery of COVID-19 related expenses and losses and the review and approval of our applications, rates and charges by the PUCO;

- difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deteriorations in credit and financing conditions which could affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis;
- negative impacts on the health of our essential personnel, especially if a significant number of them are affected, and on our operations as a result of implementing stay-at-home, quarantine and other social distancing measures;
- a deterioration in our ability to ensure business continuity during a disruption, including increased cybersecurity attacks related to the work-from-home environment;
- delays or inability to access, transport and deliver fuel to our generation facilities due to restrictions on business operations or other factors affecting us and our third-party suppliers;
- delays or inability to access equipment or the availability of personnel to perform planned and unplanned maintenance, which can, in turn, lead to disruption in operations;
- delays or inability in achieving our financial goals, growth strategy and digital transformation; and
- delays in the implementation of expected rules and regulations, including with respect to the TCJA.

We will continue to review and modify our plans as conditions change. Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of this outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, COVID-19 presents material uncertainty which could materially and adversely affect our transmission and distribution systems, results of operations, financial condition and cash flows.

To the extent COVID-19 adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section and those incorporated by reference into this offering memorandum, such as those relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

Risks related to the notes

DPL is a holding company and parent of DP&L and other subsidiaries. DPL's cash flow is dependent on the operating cash flows of DP&L and its other subsidiaries and their ability to pay cash to DPL. DPL's subsidiaries will not guarantee the notes and will not be restricted under the indenture that will govern the notes.

DPL is a holding company and its investments in its subsidiaries are its primary assets. DPL's subsidiaries are separate and distinct legal entities and, unless they have expressly guaranteed any of DPL's indebtedness, have no obligation, contingent or otherwise, to pay any amounts due pursuant to such debt or to make any funds available whether by dividends, fees, loans or other payments. In addition, under certain circumstances, legal, regulating or contractual restrictions may limit DPL's ability to obtain cash from its subsidiaries. None of DPL's subsidiaries are guaranteeing, or are otherwise obligated with respect to, the notes offered hereby.

A significant portion of DPL's business is conducted by its subsidiary, DP&L. As such, DPL's cash flow is dependent on the operating cash flows of DP&L and its ability to pay cash to DPL. DP&L's governing documents contain certain limitations on the ability to declare and pay dividends to DPL while preferred stock is outstanding. Certain of DP&L's debt agreements also contain limits with respect to the ability of DP&L to loan or advance funds to DPL. In addition, DP&L is regulated by the PUCO that possesses broad oversight powers to ensure that the needs of utility customers are being met. While we are not currently aware of any plans to do so, the PUCO could attempt to impose restrictions on the ability of DP&L to pay cash to DPL pursuant to these broad powers. A significant limitation on DP&L's ability to pay dividends or loan or advance funds to DPL would have a material adverse impact on DPL's results of operations, financial condition and cash flows, and its ability to make interest and principal payments on the notes and its other indebtedness.

Any right DPL has to receive any assets of any of its subsidiaries upon any liquidation, dissolution, winding up, receivership, reorganization, assignment for the benefit of creditors, marshaling of assets and liabilities or any bankruptcy, insolvency or similar proceedings (and the consequent right of the holders of DPL's indebtedness to participate in the distribution of, or to realize proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt issued by such subsidiary).

The notes will be effectively subordinated to the liabilities of DPL's subsidiaries.

DPL's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the notes offered hereby or to make any funds available therefor, whether by dividends, fees, loans or other payments. Any right DPL has to receive any assets of any of its subsidiaries upon any liquidation, dissolution, winding up, receivership, reorganization, assignment for the benefit of creditors, marshaling of assets and liabilities or any bankruptcy, insolvency or similar proceedings (and the consequent right of the holders of DPL's indebtedness to participate in the distribution of, or to realize proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt issued by such subsidiary). Accordingly, the notes will be effectively subordinated to all liabilities of DPL's existing or future subsidiaries. At March 31, 2020, the indebtedness of DPL's subsidiaries had an aggregate principal amount of approximately $667.5 million. The indenture governing the notes will not limit the ability of DPL's subsidiaries to incur additional indebtedness or other liabilities (subject to the Limitation on Liens covenant in the case of secured debt).

The notes will be effectively subordinated to DPL's and DP&L's secured debt.

The notes will be unsecured general obligations of DPL, and therefore will be effectively subordinated to all of the secured debt of DPL, if any, and all of the secured debt of DP&L to the extent of the value of the assets securing such debt. All of DPL's secured debt is held at its subsidiaries, except for its revolving credit facility. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation or reorganization, or other bankruptcy proceeding, our secured creditors will have a superior claim to the applicable collateral. On a consolidated basis, the aggregate principal amount of DPL's outstanding long-term debt was $1,378.1 million (including current portion) at March 31, 2020, consisting of DPL's unsecured notes, Capital Trust II securities along with DP&L's first mortgage bonds, tax-exempt first mortgage bonds and the Wright-Patterson Air Force Base note. The indenture that will govern the notes limits but does not prohibit DPL from incurring secured debt, and there are significant exceptions to this covenant. See "Description of the Notes—Covenants—Limitations on Liens."

In addition, if DPL defaults under any of its existing or future secured indebtedness, the holders of such indebtedness could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If DPL is unable to repay such indebtedness, the holders of such indebtedness could foreclose on the pledged assets to the exclusion of the holders of the notes, even if an event of default exists under the indenture governing the notes at such time. In any such event, because the notes will not be secured by any of DPL's assets, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims in full.

DPL may not be able to repurchase the notes upon a change of control.

Upon a "Change of Control Triggering Event" (as defined under "Description of the Notes—Repurchase at the Option of Holders"), DPL will be required to offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest. The source of funds for any such purchase of the notes will be its available cash or cash generated from its subsidiaries' operations or other sources, including borrowings, issuance of additional debt, sales of assets or sales of equity. The obligations under DPL's other indebtedness may also be accelerated in such circumstances. DPL may not be able to satisfy its obligations to repurchase the notes upon a Change of Control Triggering Event because it may not have sufficient financial resources to purchase all of the notes that are tendered upon a Change of Control Triggering Event.

It is also possible that the events that constitute a Change of Control Triggering Event may also be events of default under the agreements governing DPL's other debt. These events may permit such lenders to accelerate the indebtedness outstanding thereunder. If we are required to repurchase the notes pursuant to a Change of Control Offer and repay certain amounts outstanding under DPL's other debt if such indebtedness is accelerated, we would probably require third-party financing. We cannot be sure that we would be able to obtain third-party financing on acceptable terms, or at all. If DPL's other debt is not paid, the lenders thereunder may seek to enforce security interests in the collateral securing such indebtedness, thereby limiting our ability to raise cash to purchase the notes, and reducing the practical benefit of the offer to purchase provisions to the holders of the notes. Any future debt agreements may contain similar provisions.

The terms of the indenture that will govern the notes offered hereby and the notes provide only limited protection against significant corporate events and other actions we may take that could adversely impact your investment in the notes.

While the indenture governing the notes offered hereby and the notes contain terms intended to provide protection to the holders of the notes upon the occurrence of certain events involving significant corporate transactions, such terms are limited and may not be sufficient to protect your investment in the notes.

The definition of the term Change of Control does not cover a variety of transactions (such as acquisitions by DPL or recapitalizations) that could negatively affect the value of your notes. In addition, both a Change of Control and a Rating Event (as defined in "Description of the Notes") is required for a Change of Control Triggering Event to take place. If DPL were to enter into a significant corporate transaction that would negatively affect the value of the notes but would not constitute a Change of Control Triggering Event, DPL would not be required to offer to repurchase your notes prior to their maturity. Furthermore, the indenture governing the notes offered hereby for the notes will not require DPL to maintain any financial ratios or specific levels of net worth, sales, income, cash flow or liquidity.

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of DPL's assets.

One of the circumstances under which a change of control may occur is upon the sale or disposition of all or substantially all of our assets. There is no precise established definition of the phrase "substantially all" under applicable law, and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require DPL to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

DPL may incur additional indebtedness, which may affect its financial health and its ability to repay the notes.

As of March 31, 2020, the aggregate principal amount of DPL's debt was approximately $1,557.1 million and the aggregate principal amount of DP&L's debt was approximately $667.5 million. Of DP&L's indebtedness, there was $565.0 million of first mortgage bonds and tax-exempt first mortgage bonds as of March 31, 2020, which are secured by the pledge of substantially all of the assets of DP&L under the terms of DP&L's First & Refunding Mortgage. DPL's revolving credit facility is also secured by a pledge of common stock that DPL owns in DP&L. As of March 31, 2020, the outstanding balance of DPL's revolving credit facility was $94.0 million and DPL had available capacity of $23.1 million under the revolving credit facility. As of the date of this offering memorandum, DPL has under its revolving credit facility $9.5 million available as a result of an amendment entered into on June 1, 2020. This level of indebtedness and the related security could have important consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- place it at a competitive disadvantage compared to its competitors that are less leveraged;
- require it to dedicate a substantial portion of its cash flow from operations to make payments on its indebtedness, thereby reducing the availability of its cash flow to fund other corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; and
- limit, along with the financial and other restrictive covenants in its indebtedness, among other things, its ability to borrow additional funds, as needed.

A high level of indebtedness increases the risk that we default on our debt obligation, including the notes. DPL and/or its subsidiaries expect to incur additional debt in the future, subject to the terms of debt agreements and regulatory approvals. To the extent DPL becomes more leveraged, the risks described above would increase. Further, its actual cash requirements in the future may be greater than expected. Accordingly, its cash flow from operations may not be sufficient to repay at maturity all of the outstanding debt as it becomes due and, in that event, it may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance its debt, including the notes, as it becomes due. Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default thereunder.

A court could deem the obligations evidenced by the notes to be a fraudulent conveyance.

The incurrence of the indebtedness under the notes, and any payment of cash dividends and other payments in respect of DPL's equity interests, are subject to review under relevant federal and state fraudulent conveyance laws in a bankruptcy or reorganization case or lawsuit by or on behalf of our creditors. Under these laws, if a court were to find at the time the notes were issued that (1) DPL incurred such indebtedness and made such payments with the intent of hindering, delaying or defrauding current or future creditors or (2) DPL received less than reasonably equivalent value or fair consideration for incurring such indebtedness and, in the case of (2) only, one of the following is also true at the time thereof:

- was insolvent or rendered insolvent by reason of such incurrence,
- was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital, or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature (as all of the foregoing terms are defined or interpreted under the relevant fraudulent transfer or conveyance statutes),

then the court could void or otherwise decline to enforce the notes.

In addition, any payment by DPL pursuant to the notes made at a time DPL is found to be insolvent could be voided and required to be returned to DPL or to a fund for the benefit of DPL's creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any outside party and such payment would give the creditors more than such creditors would have received in a distribution under Title 11 of the United States Code, as amended (the "Bankruptcy Code").

The measure of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a company would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and matured; or
- it could not pay its debts as they became due.

DPL believes that both prior to and after giving effect to this offering it will not be insolvent, will not have unreasonably small capital for its business and will not have incurred debts beyond its ability to pay such debts as they mature. DPL cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with DPL's conclusions in this regard or, regardless of the standard that a court uses, that the issuance of the notes would not be voided or otherwise enforced. If a court voided DPL's obligations under the notes, holders of the notes would cease to be DPL's creditors and likely have no source from which to recover amounts due under the notes. In addition, a court could void any payment by DPL pursuant to the notes and require any payment to be returned, or to be paid to a fund for the benefit of DPL's creditors.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the notes to the claims of other creditors under the principle of equitable subordination, if the court determines that: (i) the holder of the notes engaged in some type of inequitable conduct to the detriment of other creditors; (ii) such inequitable conduct resulted in injury to other creditors or conferred an unfair advantage upon the holder of the notes; and (iii) equitable subordination is not inconsistent with the provisions of the Bankruptcy Code.

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

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

Credit rating downgrades could adversely affect the trading price of the notes.

The trading price for the notes may be affected by DPL's credit rating and the credit rating of AES. Credit ratings are continually revised. Any downgrade in DPL's credit rating or the credit rating of AES could adversely affect the trading price of the notes or the trading markets for the notes to the extent trading markets for the notes develop. Credit ratings are not recommendations to purchase, holder or sell the notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the notes.

Any future lowering of DPL's ratings or the rating of AES likely would make it more difficult or more expensive for DPL to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your notes without a substantial discount.

There are restrictions on your ability to resell your notes.

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

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

We cannot assure you that an active trading market will develop for these notes, which may hinder your ability to liquidate your investment.

The notes are a new issue of securities with no established trading market, and we do not intend to list them on any securities exchange. We have been informed by the initial purchasers that they intend to make a market for the notes after the offering is completed. However, the initial purchasers may cease their market-making activity at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in DPL's financial performance or prospects or in the prospects for companies in the industry generally. In addition, such market-making activity will be subject to limits imposed by the Securities Act and the Exchange Act and may be limited during an exchange offer and the pendency of any shelf registration statement. See "Registration Rights." As a result, we cannot assure that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value, or at all.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions, and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

Use of proceeds

The net proceeds from this offering are estimated to be approximately $408.3 million, after deducting discounts and commissions and other expenses. We intend to use the net proceeds from this offering, together with cash on hand and/or the proceeds of other short-term borrowings, to redeem all of the $380.0 million aggregate principal amount of the 2021 Notes outstanding and to pay certain related fees and expenses. Any remaining proceeds will be used for general corporate purposes.

Because we intend to use the proceeds from the sale of the notes offered hereby to redeem all of the outstanding 2021 Notes, the initial purchasers or their affiliates that hold 2021 Notes will receive a portion of the proceeds of this offering. See "Plan of Distribution." The 2021 Notes bear interest at the rate of 7.25% per annum and mature on October 15, 2021. The 2021 Notes are currently redeemable, at our option upon not less than 30 nor more than 60 days' notice, at a redemption price determined in accordance with the "make-whole" formula provided under the 2021 Notes indenture, including accrued and unpaid interest on all such redeemed 2021 Notes up to, but not including, the date of redemption. Nothing in this offering memorandum shall be construed as an offer to purchase, notice of redemption or a solicitation of an offer to purchase any of the outstanding 2021 Notes.

Capitalization

The following table sets forth a summary of our unaudited consolidated capitalization as of March 31, 2020:

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

You should read this table together with "Summary—Summary Historical Consolidated Financial Information and Other Operating Data" and "Use of Proceeds" included elsewhere in this offering memorandum, and the information in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto, each incorporated by reference in this offering memorandum.

	As of March 31, 2020	
(in millions)	Actual	As adjusted
Cash and cash equivalents	$ 39.6	$ 39.6
DP&L Revolving credit facility	85.0	85.0
DPL Revolving credit facility[1]	94.0	94.0
Long-term debt		
Long-term debt at subsidiary		
3.950% First Mortgage Bonds due 2049	425.0	425.0
Tax-exempt first mortgage bonds—rates from 2.40%-2.93% due 2020[2]	140.0	140.0
U.S. Government note due 2061	17.5	17.5
Unamortized deferred financing costs	(5.3)	(5.3)
Unamortized debt discounts and premiums, net	(2.7)	(2.7)
Total long-term debt at subsidiary	$ 574.5	$ 574.5
7.25% Senior Unsecured Bonds due 2021	380.0	–
4.35% Senior Unsecured Bonds due 2029	400.0	400.0
8.125% Note to DPL Capital Trust II due 2031	15.6	15.6
4.125% notes due 2025 offered hereby	–	415.0[3]
Unamortized deferred financing costs	(5.5)	(12.2)
Unamortized debt discounts and premiums, net	(1.0)	(1.0)
Total long-term debt	$1,363.6	$1,391.9
Less: current portion	(139.9)	(139.9)
Total common shareholders' deficit	(370.3)	(370.3)
Total capitalization[4]	$ 947.4	$ 975.7

(1) As of the date of this offering memorandum, DPL has under its revolving credit facility $9.5 million available as a result of an amendment entered into on June 1, 2020.

(2) Range of interest rates for the three months ended March 31, 2020.

(3) Represents $415.0 million aggregate principal amount of the notes offered hereby, net of debt issuance costs of approximately $6.7 million.

(4) Includes total long-term debt, less current portion of long-term debt, common shareholders' deficit and outstanding borrowings under DPL's revolving credit facility.

Description of the notes

In this Description of the Notes, "DPL" refers only to DPL Inc. and any successor obligor on the notes, and not to any of its subsidiaries, and references to the "Company," "we," "us," and "our" refer to DPL. You can find the definitions of certain terms used in this description under "—Certain Definitions."

We will issue the notes under an indenture between us and U.S. Bank National Association, as trustee. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939 (the "**Trust Indenture Act**").

The following is a summary of the material provisions of the indenture and the notes. Because this is a summary, it may not contain all the information that is important to you. You should read the indenture in its entirety because it, not this description, defines your rights as holders of the notes. Copies of the proposed form of the indenture are available as described under "Where You Can Find More Information."

Basic terms of notes

The notes:

- will be senior unsecured obligations of DPL;
- will be effectively subordinated to any secured senior obligations of DPL, to the extent of the value of the collateral securing such obligations;
- will rank equally with the existing and future unsubordinated and unsecured obligations of DPL;
- will be structurally subordinated in right of payment to obligations of the subsidiaries of DPL;
- will mature on July 1, 2025;
- will be issued in an original aggregate principal amount of $415.0 million; and
- will bear interest commencing the date of issue at 4.125% per annum, payable semiannually on each January 1 and July 1, commencing on January 1, 2021, to holders of record on the June 15 or December 15 immediately preceding the interest payment date.

Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Our ability to pay interest on the notes will be dependent upon the receipt of dividends and other distributions from our direct and indirect subsidiaries, including The Dayton Power and Light Company ("**DP&L**") in particular. The availability of distributions from our subsidiaries is subject to the satisfaction of various covenants and conditions contained in the applicable subsidiaries' existing and future financing and governance documents.

The indenture will not limit the amount of debt securities we may issue under the indenture and provides that debt securities may be issued from time to time in one or more series. We may from time to time, without notice to or the consent of the holders of the notes, create and issue additional debt securities ("**Additional Notes**") under the indenture governing the notes having the same terms as, and ranking equally with, the notes in all respects (except for the offering price, issue date and, if applicable, first interest payment date). Any Additional Notes, together with the notes offered hereby, will constitute a single series of notes under the indenture, and will be treated as a single class for all purposes thereunder, including voting under the indenture; provided that, if the Additional Notes are not fungible with the notes for U.S. federal income tax purposes, the Additional Notes will have a separate CUSIP number.

Optional redemption

Prior to April 1, 2025 (the date that is three months prior to the maturity date), we may redeem the notes at our option, at any time in whole or from time to time in part, on at least 20 days' prior written notice mailed to the registered holders of the notes, at a redemption price, together with accrued and unpaid interest to the date of redemption, equal to the greater of:

- 100% of the principal amount of the notes being redeemed; or
- the sum of the present values of the principal amount of the notes to be redeemed and the remaining scheduled payments of interest on the notes from the redemption date to April 1, 2025 (the date that is three months prior to the maturity date), discounted from their respective scheduled payment dates to the redemption date semiannually, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the Treasury Rate (as defined herein) plus 50 basis points.

On or after April 1, 2025 (the date that is three months prior to the maturity date), we may redeem the notes at our option, at any time in whole or from time to time in part, on at least 30 days' prior written notice mailed to the registered holders of the notes, at a redemption price equal to 100% of the principal amount of the notes being redeemed, together with accrued and unpaid interest to the date of redemption.

For purposes of the foregoing discussion of our right to redeem the notes, the following definitions are applicable:

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term (as measured from the date of redemption) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Company obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Quotation Agent" means any Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means (i) each of J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a **"Primary Treasury Dealer"**), we will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealers selected by us.

"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.

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

The redemption price will be calculated by the Quotation Agent and we, the trustee and any paying agent for the notes of that series to be redeemed will be entitled to rely on such calculation. It shall be the Company's sole obligation to calculate the present value of the payments in connection with a redemption and the trustee shall have no obligation to calculate or verify any such payment amounts.

Notice of redemption must be given not less than 30 days nor more than 60 days prior to the date of redemption. If fewer than all the notes are to be redeemed, selection of notes for redemption will be made by the trustee in any manner the trustee deems fair and appropriate.

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

No other mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the notes.

Repurchase at the option of holders

If a Change of Control Triggering Event (as defined herein) occurs, unless we have exercised our right to redeem the notes as described above, holders of all outstanding notes will have the right to require us to repurchase all or any part (no note of a principal amount of $2,000 or less will be repurchased in part) of their notes pursuant to the offer described below (the **"Change of Control Offer"**) on the terms set forth in the indenture. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to, but excluding, the date of purchase (the **"Change of Control Payment"**). Within 30 days following any Change of Control Triggering Event, we will be required to send a notice to holders of notes describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the **"Change of Control Payment Date"**), pursuant to the procedures required by the indenture and described in such notice. We must comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the notes, we will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the notes by virtue of such conflicts.

On the Change of Control Payment Date, we will be required, to the extent lawful, to:

- accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;
- deposit with the paying agent, which shall initially be the trustee, an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and
- deliver or cause to be delivered to the trustee the notes properly accepted.

The definition of Change of Control (defined herein) includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of us and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of us and our subsidiaries taken as a whole to another person may be uncertain.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

"Change of Control" means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries taken as a whole to any person (as such term is used in Section 13(d) of the Exchange Act) other than the Company or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person (as such term is used in Section 13(d) of the Exchange Act) other than a Permitted Holder (as defined herein) becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of the Company's Voting Stock; or (3) the first day on which a majority of the members of the Company's board of directors are not Continuing Directors of the Company.

"Change of Control Triggering Event" means the occurrence of a Rating Event and a Change of Control.

"Continuing Directors" means, as of any date of determination, any member of the applicable board of directors who (1) was a member of such board of directors on the date of the issuance of the notes; or (2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election (either by vote of the board of directors or by approval of the stockholders, or, if applicable, after receipt of a proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

"Permitted Holder" means, at any time, The AES Corporation and its Affiliates. In addition, any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Rating Agencies" means (a) each of Fitch, Moody's and S&P and (b) if any of Fitch, Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" (within the meaning of Section 3(a)(62) of the Exchange Act) selected by us as a replacement Rating Agency for a former Rating Agency.

"Rating Event" means the rating on the notes is lowered by two of the three Rating Agencies on any day within the period commencing on the earlier of (a) the occurrence of a Change of Control and (b) public notice of the occurrence of a Change of Control or our intention to effect a Change of Control and ending 60 days following the consummation of such Change of Control (which 60-day period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies).

"Voting Stock" of any specified person means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

It shall be the Company's sole obligation to determine if a Rating Event has occurred and the trustee shall have no obligation to determine or verify if such an event has occurred.

Ranking

Structural Subordination. DPL is a holding company. Substantially all of DPL's operations are conducted through its subsidiaries. Claims of creditors of DPL's subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those subsidiaries, and claims of preferred and minority stockholders (if any) of those subsidiaries generally will have priority with respect to the assets and earnings of those subsidiaries over the claims of creditors of DPL, including holders of the notes. The notes will be effectively subordinated in right of payment to creditors (including trade creditors) and preferred and minority stockholders (if any) of DPL's subsidiaries.

At March 31, 2020, DPL's direct and indirect subsidiaries had approximately $582.5 million in long-term debt, all of which would be effectively senior to the notes. Moreover, the indenture will not impose any limitation on the incurrence of additional liabilities or the issuance of additional preferred stock or minority interests by subsidiaries of DPL (subject to compliance with the Limitation on Liens covenant in the case of secured debt).

The notes will be the senior unsecured obligations of DPL and will be effectively subordinated to any secured senior obligations of DPL, to the extent of the value of the collateral securing such obligations. The notes will rank equally in right of payment with the existing and future unsubordinated and unsecured obligations of DPL and will be structurally subordinated to obligations of the subsidiaries of DPL.

Moreover, as a holding company, DPL owns assets primarily through its ownership interests in its subsidiaries. None of its subsidiaries is obligated under the notes and none of its subsidiaries will guarantee the notes. DPL's principal asset is its ownership interest in DP&L. DP&L is a regulated public utility and is subject to regulation at both the state and federal level. At the state level, it is subject to regulation by the PUCO. At the federal level, it is subject to regulation by FERC. See "Business—Market Structure" and "Business—Competition and Regulation" appearing in the documents incorporated by reference herein in this offering memorandum. Regulation by the PUCO and FERC includes regulation with respect to the change of control and transfer or ownership of utility property. Accordingly, if the trustee under the indenture or the holders of the notes institute proceedings against us with respect to the notes, the remedies available to them may be limited and may be subject to the approval by the PUCO and FERC.

Open market purchases

DPL may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Covenants

Except as otherwise set forth under "—Defeasance and Discharge" below, for so long as any notes remain outstanding or any amount remains unpaid on any of the notes, we will comply with the terms of the covenants set forth below.

Payment of principal and interest

We will duly and punctually pay the principal of and interest on the notes in accordance with the terms of the notes and the indenture.

Merger, consolidation, sale, lease or conveyance

The indenture will provide that we may not consolidate or merge with or into (whether or not we are the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our properties or assets in one or more related transactions, to another Person or entity unless (i) we are the surviving entity or the entity or the Person formed by or surviving any such consolidation or merger (if other than us) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the entity or Person formed by or surviving any such consolidation or merger (if other than us) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all of our obligations under the notes and the indenture pursuant to a supplemental indenture; and (iii) immediately after such transaction no Default or Event of Default exists.

Limitations on liens

Neither we nor any Significant Subsidiary (as defined herein) may issue, assume or guarantee any Indebtedness secured by a Lien upon any property or assets (other than any cash or cash equivalents) of us or such Significant Subsidiary (including, for the avoidance of doubt, any common stock of DP&L), as applicable, without effectively providing that the outstanding notes (together with, if we so determine, any other indebtedness or obligation then existing or thereafter created ranking equally with the notes) will be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness is so secured.

The foregoing limitation on Liens will not, however, apply to:

(1) Liens in existence on the date of original issue of the notes;

(2) any Lien created or arising over any property which is acquired, constructed or created by us or any of our Significant Subsidiaries, but only if:

- (a) such Lien secures only principal amounts (not exceeding the cost of such acquisition, construction or creation) raised for the purposes of such acquisition, construction or creation, together with any costs, expenses, interest and fees incurred in relation to that property or a guarantee given in respect of that property;
- (b) such Lien is created or arises on or before 180 days after the completion of such acquisition, construction or creation; and
- (c) such Lien is confined solely to the property so acquired, constructed or created;

(3) (a) rights of financial institutions to offset credit balances in connection with the operation of cash management programs established for our benefit and/or a Significant Subsidiary or in connection with the issuance of letters of credit for our benefit and/or a Significant Subsidiary;

- (b) any Lien on accounts receivable securing our Indebtedness and/or a Significant Subsidiary incurred in connection with the financing of such accounts receivable;
- (c) any Lien incurred or deposits made in the ordinary course of business, including, but not limited to, (1) any mechanic's, materialmen's, carrier's, workmen's, vendors' and other like Liens and (2) any Liens securing amounts in connection with workers' compensation, unemployment insurance and other types of social security;
- (d) any Lien upon specific items of inventory or other goods of us and/or a Significant Subsidiary and the proceeds thereof securing obligations of us and/or a Significant Subsidiary in respect of bankers' acceptances issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or other goods;

(e) any Lien incurred or deposits made securing the performance of tenders, bids, leases, trade contracts (other than for borrowed money), statutory obligations, surety bonds, appeal bonds, government contracts, performance bonds, return-of-money bonds, letters of credit not securing borrowings and other obligations of like nature incurred in the ordinary course of business;

(f) any Lien created by us or a Significant Subsidiary under or in connection with or arising out of a Currency, Interest Rate or Commodity Agreement (as defined herein) or any transactions or arrangements entered into in connection with the hedging or management of risks relating to the electricity or natural gas distribution industry, including a right of set off or right over a margin call account or any form of cash or cash collateral or any similar arrangement for obligations incurred in respect of Currency, Interest Rate or Commodity Agreements;

(g) any Lien arising out of title retention or like provisions in connection with the purchase of goods and equipment in the ordinary course of business; and

(h) any Lien securing reimbursement obligations under letters of credit, guaranties and other forms of credit enhancement given in connection with the purchase of goods and equipment in the ordinary course of business;

(4) Liens in favor of us or a subsidiary of ours;

(5) (a) Liens on any property or assets acquired from an entity which is merged with or into us or a Significant Subsidiary or any Liens on the property or assets of any entity existing at the time such entity becomes a subsidiary of ours and, in either case, is not created in anticipation of the transaction, unless the Lien was created to secure or provide for the payment of any part of the purchase price of that entity;

(b) any Lien on any property or assets existing at the time of its acquisition and which is not created in anticipation of such acquisition, unless the Lien was created to secure or provide for the payment of any part of the purchase price of such property or assets; and

(c) any Lien created or outstanding on or over any asset of any entity which becomes a Significant Subsidiary on or after the date of the issuance of the notes, where the Lien is created prior to the date on which that entity becomes a Significant Subsidiary;

(6) (a) Liens required by any contract, statute or regulation in order to permit us or a Significant Subsidiary to perform any contract or subcontract made by it with or at the request of a governmental entity or any governmental department, agency or instrumentality, or to secure partial, progress, advance or any other payments by us or a Significant Subsidiary to such governmental unit under the provisions of any contract, statute or regulation;

(b) any Lien securing industrial revenue, development, pollution control, solid waste disposal or similar bonds issued by or for our benefit or a Significant Subsidiary, provided that such industrial revenue, development, pollution control or similar bonds do not provide recourse generally to us and/or such Significant Subsidiary; and

(c) any Lien securing taxes or assessments or other applicable governmental charges or levies;

(7) any Lien which arises under any order of attachment, restraint or similar legal process arising in connection with court proceedings and any Lien which secures the reimbursement obligation for any bond obtained in connection with an appeal taken in any court proceeding, so long as the execution or other enforcement of such Lien arising under such legal process is effectively stayed and the claims secured by

that Lien are being contested in good faith and, if appropriate, by appropriate legal proceedings, and any Lien in favor of a plaintiff or defendant in any action before a court or tribunal as security for costs and/or expenses;

(8) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses, for amounts not exceeding the principal amount of the Indebtedness secured by the Lien so extended, renewed or replaced, provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets);

(9) any Lien created in connection with Project Finance Debt;

(10) any Lien created by DP&L or its subsidiaries securing Indebtedness of DP&L or its subsidiaries;

(11) any Lien created in connection with the securitization of some or all of the assets of DP&L and the associated issuance of Indebtedness as authorized by applicable state or federal law in connection with the restructuring of jurisdictional electric or gas businesses;

(12) any Lien on stock created in connection with a mandatorily convertible or exchangeable stock or debt financing, provided that any such financing may not be secured by or otherwise involve the creation of a Lien on any capital stock of DP&L or any successor entity to DP&L; and

(13) any Lien under one or more credit facilities for Indebtedness in an aggregate principal amount outstanding at any time not to exceed 10% of Consolidated Net Assets.

Reports and other information

At any time that we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or do not otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the SEC, the indenture will require us to deliver (which may be accomplished through the posting on the internet) to the trustee and to holders of the notes, without cost to any holder:

(1) within 90 days after the end of each fiscal year, audited financial statements; and

(2) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, quarterly unaudited financial statements.

Events of default

An Event of Default with respect to the notes will be defined in the indenture as being:

(1) default for 30 days in the payment of any interest on the notes;

(2) default in the payment of principal of or any premium on, the notes at maturity, upon redemption, upon required purchase, upon acceleration or otherwise;

(3) default in the performance, or breach, of any covenant or obligation in the indenture and continuance of the default or breach for a period of 30 days after written notice specifying the default is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the notes;

(4) default in the payment of the principal of any bond, debenture, note or other evidence of indebtedness, in each case for money borrowed, issued by us, or in the payment of principal under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for Borrowed Money, of us or any Significant Subsidiary if such Indebtedness for Borrowed Money is not Project Finance Debt and provides for recourse generally to us or any Significant Subsidiary, which default for payment of principal is in an aggregate principal amount exceeding $40 million when such indebtedness becomes due and payable (whether at maturity, upon redemption or acceleration or otherwise), if such default shall continue unremedied or unwaived for more than 30 business days and the time for payment of such amount has not been expressly extended (until such time as such payment default is remedied, cured or waived);

(5) a court having jurisdiction enters a decree or order for:

- relief in respect of us or any of our Significant Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect; or
- appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official of us or any of our Significant Subsidiaries or for all or substantially all of the property and assets of us or any of our Significant Subsidiaries; or
- the winding up or liquidation of our affairs or any of our Significant Subsidiaries; or
- and, in either case, such decree or order remains unstayed and in effect for a period of 60 consecutive days; and

(6) we or any of our Significant Subsidiaries:

- commences a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law;
- consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official of us or any of our Significant Subsidiaries or for all or substantially all of the property and assets of us or any of our Significant Subsidiaries; or
- effects any general assignment for the benefit of creditors.

If an Event of Default (other than an Event of Default specified in clause (5) or (6) with respect to us) occurs and continues, then the trustee or the holders of at least 25% in principal amount of the notes then outstanding may, by written notice to us, and the trustee at the request of at least 25% in principal amount of the notes then outstanding will, declare the principal, premium, if any, and accrued interest on the outstanding notes to be immediately due and payable. Upon a declaration of acceleration, the principal, premium, if any, and accrued interest shall be immediately due and payable.

If an Event of Default specified in clause (5) or (6) above occurs with respect to us, the principal, premium, if any, and accrued interest on the notes shall be immediately due and payable, without any declaration or other act on the part of the trustee or any holder.

The holders of at least a majority in principal amount of the notes may, by written notice to us and to the trustee, waive all past defaults with respect to the notes and rescind and annul a declaration of acceleration with respect to the notes and its consequences if:

- all existing Events of Default applicable to the notes other than the nonpayment of the principal, premium, if any, and interest on the notes that have become due solely by that declaration of acceleration, have been cured or waived; and

- the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

No holder of the notes will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture, or for the appointment of a receiver or trustee, or for any other remedy under the indenture, unless:

- such holder has previously given written notice to the trustee of a continuing Event of Default with respect to the notes;
- the holders of not less than 25% in principal amount of the notes shall have made written request to a responsible officer of the trustee to institute proceedings in respect of such Event of Default in its own name as trustee;
- such holder or holders have offered the trustee indemnity satisfactory to the trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- the trustee, for 60 days after its receipt of such notice, request and offer of indemnity, has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in principal amount of the outstanding notes.

However, these limitations do not apply to the right of any holder of a note to receive payment of the principal, premium, if any, or interest on, that note or to bring suit for the enforcement of any payment, on or after the due date expressed in the notes, which right shall not be impaired or affected without the consent of the holder.

The indenture requires that certain of our officers certify, on or before a date not more than 120 days after the end of each fiscal year, that to the best of those officers' knowledge, we have fulfilled all our obligations under the indenture. We are also obligated to notify the trustee of any default or defaults in the performance of any covenants or agreements under the indenture *provided, however*, that a failure by us to deliver such notice of a default shall not constitute a default under the indenture, if we have remedied such default within any applicable cure period.

No liability of directors, officers, employees, incorporators, members and stockholders

No director, officer, employee, incorporator, member or stockholder of us, as such, will have any liability for any of our obligations under the notes or the indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. This waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Amendments and waivers

Amendments Without Consent of Holders. We and the trustee may amend or supplement the indenture or the notes without notice to or the consent of any holder:

(1) to cure any ambiguity, defect or inconsistency in the indenture or the notes;

(2) to comply with "—Merger, Consolidation, Sale, Lease or Conveyance;"

(3) to comply with any requirements of the SEC in connection with the qualification of the indenture under the Trust Indenture Act;

(4) to evidence and provide for the acceptance of appointment hereunder by a successor trustee;

(5) to provide for any guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or lien securing the notes when such release, termination or discharge is permitted by the indenture;

(6) to provide for or confirm the issuance of additional notes; or

(7) to make any other change that does not materially and adversely affect the rights of any holder.

Amendments With Consent of Holders. (a) Except as otherwise provided in "—Events of Default" or paragraph (b), we and the trustee may amend the indenture with the written consent of the holders of a majority in principal amount of the outstanding notes and the holders of a majority in principal amount of the outstanding notes may waive future compliance by us with any provision of the indenture with respect to the notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each holder of notes, an amendment or waiver may not:

(1) reduce the principal amount of or change the stated maturity of any installment of principal of the notes;

(2) reduce the rate of or change the stated maturity of any interest payment on the notes;

(3) reduce the amount payable upon the redemption of the notes, in respect of an optional redemption, change the times at which the notes may be redeemed or, once notice of redemption has been given, the time at which they must thereupon be redeemed;

(4) make the notes payable in money other than that stated in the notes;

(5) impair the right of any holder of notes to receive any principal payment or interest payment on such holder's notes, on or after the stated maturity thereof, or to institute suit for the enforcement of any such payment;

(6) make any change in the percentage of the principal amount of the notes required for amendments or waivers; or

(7) modify or change any provision of the indenture affecting the ranking of the notes in a manner adverse to the holders of the notes.

It is not necessary for holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

Neither we nor any of our Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid or agreed to be paid to all holders of the notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

Defeasance and discharge

The indenture provides that we are deemed to have paid and will be discharged from all obligations in respect of the notes on the 123rd day after the deposit referred to below has been made, and that the provisions of the indenture will no longer be in effect with respect to the notes (except for, among other matters, certain obligations to register the transfer or exchange of the notes, to replace stolen, lost or mutilated notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things,

(1) we have deposited with the trustee, in trust, money and/or U.S. Government Obligations (as defined herein) that, through the payment of interest and principal in respect thereof, will provide money in an amount sufficient to pay the principal, premium, if any, and accrued interest on the notes, on the due date thereof or earlier redemption (irrevocably provided for under arrangements satisfactory to the trustee), as the case may be, in accordance with the terms of the indenture;

(2) we have delivered to the trustee either:

- an opinion of counsel to the effect that beneficial owners of notes will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of our option under this "Defeasance and Discharge" provision and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge had not occurred, which opinion of counsel must be based upon a ruling of the Internal Revenue Service to the same effect unless there has been a change in applicable federal income tax law or related Treasury regulations after the date of the indenture, or
- a ruling directed to the trustee received from the Internal Revenue Service to the same effect as the aforementioned opinion of counsel;

(3) we have delivered to the trustee an opinion of counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(4) immediately after giving effect to that deposit on a pro forma basis, no Event of Default has occurred and is continuing on the date of the deposit or during the period ending on the 123rd day after the date of the deposit, and the deposit will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which we are a party or by which we are bound; and

(5) if at that time any notes are listed on a national securities exchange, we have delivered to the trustee an opinion of counsel to the effect that the notes will not be delisted as a result of a deposit, defeasance and discharge.

As more fully described in the indenture, the indenture will also provide for defeasance of certain covenants.

Notices

For so long as notes in global form are outstanding, notices to be given to holders of the notes will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in definitive form, notices to be given to holders of the notes will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the register.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Concerning the trustee

U.S. Bank National Association will act as the trustee under the indenture.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or in the exercise of its rights or powers thereunder. The trustee shall be under no obligation to exercise any of the rights or powers vested in it by the indenture at the request or direction of any of the holders pursuant to the indenture, unless such holders shall have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The indenture and provisions of the Trust Indenture Act incorporated by reference therein will contain limitations on the rights of the trustee, should it become a creditor of us, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee is permitted to engage in other transactions with us and our Affiliates; provided that if it acquires any conflicting interest it must either eliminate the conflict within 90 days, apply to the SEC for permission to continue or resign.

Form, denomination and registration of notes

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (**"Rule 144A Notes"**). The notes also may be offered and sold in offshore transactions in reliance on Regulation S (**"Regulation S Notes"**). Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Investors." Regulation S Notes will also bear the legend as described under "Notice to Investors."

Except as set forth below, the notes will be issued in registered, global form in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The notes will be issued at the closing of this offering only against payment in immediately available funds.

Initially, the Regulation S Notes will be exclusively represented by temporary notes in registered, global form without interest coupons (collectively, the **"Temporary Regulation S Global Notes"**). After a 40-day distribution compliance period commencing on the date of the delivery of the Notes (the **"distribution compliance period"**) beneficial interests in the Temporary Regulation S Global Notes may be exchanged for beneficial interests in a permanent note in registered, global form without coupons (collectively, the **"Permanent Regulation S Global Notes"** and, together with the Temporary Regulation S Global Notes, the **"Regulation S Global Notes"**) only upon certification (a **"Regulation S Certification"**) that beneficial interests in such Temporary Regulation S Global Notes are owned either by non-U.S. persons or U.S. persons who purchased such interests in a transaction that did not require registration under the Securities Act.

Rule 144A Notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the **"Rule 144A Global Notes"** and, together with the Regulation S Global Notes, the **"Global Notes"**).

The Global Notes will be deposited upon issuance with the trustee as custodian for DTC and registered in the name of DTC or its nominee, Cede & Co., in each case for credit to an account of a direct or indirect participant in DTC as described below. Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Regulation S Global Notes held through the Euroclear System (**"Euroclear"**) and Clearstream Banking, S.A. (**"Clearstream"**) (as indirect participants in DTC). Beneficial interests in the Global Notes may be exchanged for Notes in certificated form in certain circumstances. See "—Exchange of Global Notes for Certificated Notes."

In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We and the trustee take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the **"Participants"**) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the **"Indirect Participants"**). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank SA/NV, as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture.

Under the terms of the indenture, we and the trustee will treat the persons in whose names the notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the trustee, nor any agent of ours or the trustee's has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of the notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or us. Neither we nor the trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes. Subject to the transfer restrictions set forth under "Notice to Investors," transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, crossmarket transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of the notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we nor the trustee nor any of our or their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of global notes for certificated notes

A Global Note is exchangeable for definitive notes in registered certificated form (“**Certificated Notes**”) if:

(1) DTC (a) notifies us that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act, and in each case we fail to appoint a successor depositary within 90 days of that notice or becoming aware that DTC is no longer so registered or willing or able to act as a depositary;

(2) we determine not to have the Notes represented by a Global Note and provide written notice thereof to the trustee; provided that in no event shall a Temporary Regulation S Global Note be exchanged for Certificated Notes prior to the expiration of the distribution compliance period and the receipt of any required Regulation S Certification; or

(3) there shall have occurred and be continuing a Default or Event of Default with respect to the notes and DTC requests such exchange.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be in registered form, registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Notice to Investors,” unless that legend is not required by applicable law.

Exchanges between Regulation S notes and Rule 144A notes

Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes or vice versa at any time except in the limited circumstances described below. Until the expiration of the distribution compliance period, a beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that:

(1) the transfer of Notes is being made in accordance with Rule 144A; and

(2) the Notes are being transferred to a person:

   (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(b) in accordance with all applicable securities laws of the states of the United States and any other applicable jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the distribution compliance period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available). If such transfer occurs prior to the expiration of the distribution compliance period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other Global Note for so long as it remains such an interest.

Governing law

The indenture and the notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Certain definitions

Set forth below are certain defined terms used in the indenture. We refer you to the indenture for a full disclosure of all such terms, as well as any other capitalized terms used in this section of the offering memorandum for which no definition is provided.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"**Capitalized Lease Obligations**" means all lease obligations of us and our Subsidiaries which, under GAAP, are or will be required to be capitalized, in each case taken at the amount of the lease obligation accounted for as indebtedness in conformity with those principles.

"**Consolidated Net Assets**" means the aggregate amount of assets (less reserves and other deductible items) after deducting current liabilities, as shown on the consolidated balance sheet of the Company and its subsidiaries contained in its latest audited financial statements and prepared in accordance with GAAP.

"**Currency, Interest Rate or Commodity Agreements**" means an agreement or transaction involving any currency, interest rate or energy price or volumetric swap, cap or collar arrangement, forward exchange transaction, option, warrant, forward rate agreement, futures contract or other derivative instrument of any kind for the hedging or management of foreign exchange, interest rate or energy price or volumetric risks, it being understood, for purposes of this definition, that the term "energy" will include, without limitation, coal, gas, oil and electricity.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"DTC" means The Depository Trust Company.

"Excluded Subsidiary" means any subsidiary of us:

(1) in respect of which neither we nor any subsidiary of ours (other than another Excluded Subsidiary) has undertaken any legal obligation to give any guarantee for the benefit of the holders of any Indebtedness for Borrowed Money (other than to another member of the Group) other than in respect of any statutory obligation and the subsidiaries of which are all Excluded Subsidiaries; and

(2) which has been designated as such by us by written notice to the trustee; provided that we may give written notice to the trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary whereupon it shall cease to be an Excluded Subsidiary.

"Fitch" means Fitch Ratings Inc.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time.

"Group" means DPL and its subsidiaries and "member of the Group" shall be construed accordingly.

"Indebtedness" means, with respect to us or any of our subsidiaries at any date of determination (without duplication):

(1) all Indebtedness for Borrowed Money (excluding any credit which is available but undrawn);

(2) all obligations in respect of letters of credit (including reimbursement obligations with respect to letters of credit);

(3) all obligations to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title to the property or the completion of such services, except trade payables;

(4) all Capitalized Lease Obligations;

(5) all indebtedness of other persons secured by a mortgage, charge, lien, pledge or other security interest on any asset of us or any of our subsidiaries, whether or not such indebtedness is assumed; provided that the amount of such Indebtedness must be the lesser of: (a) the fair market value of such asset at such date of determination and (b) the amount of the secured indebtedness;

(6) all indebtedness of other persons of the types specified in the preceding clauses (1) through (5), to the extent such indebtedness is guaranteed by us or any of our subsidiaries; and

(7) to the extent not otherwise included in this definition, net obligations under Currency, Interest Rate or Commodity Agreements.

The amount of Indebtedness at any date will be the outstanding balance at such date of all unconditional obligations as described above and, upon the occurrence of the contingency giving rise to the obligation, the maximum liability of any contingent obligations of the types specified in the preceding clauses (1) through (7) at such date; provided that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP.

"Indebtedness For Borrowed Money" means any indebtedness (whether being principal, premium, interest or other amounts) for:

- money borrowed;
- payment obligations under or in respect of any trade acceptance or trade acceptance credit; or
- any notes, bonds, loan stock or other debt securities offered, issued or distributed whether by way of public offer, private placement, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

provided, however, in each case, that such term will exclude:

- any indebtedness relating to any accounts receivable securitizations;
- any Indebtedness of the type permitted to be secured by Liens pursuant to clause (12) under the caption "—Limitations on Liens" described above; and
- any Preferred Securities which are issued and outstanding on the date of original issue of the notes or any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any such existing Preferred Securities, for amounts not exceeding the principal amount or liquidation preference of the Preferred Securities so extended, renewed or replaced.

"Independent Director" shall mean a director of us who, if we are listed on the New York Stock Exchange, meets the standards for independence set forth in the New York Stock Exchange Listing Standards, or if such standards are not applicable to us, who shall at no time be, or have been, a director, officer, stockholder, associate, customer or supplier of, be employed by, or hold or held at any time (directly or indirectly) any beneficial economic interest in us or our Parent or any subsidiary or Affiliate of Parent (excluding such director's position as such Independent Director of us and any compensation received by such director in such capacity).

"Lien" means any mortgage, lien, pledge, security interest or other encumbrance; *provided, however*, that the term "Lien" does not mean any easements, rights-of-way, restrictions and other similar encumbrances and encumbrances consisting of zoning restrictions, leases, subleases, restrictions on the use of property or defects in title.

"Moody's" means Moody's Investors Service, Inc.

"Parent" shall mean any entity which owns directly or indirectly, 10% or more of the outstanding common shares of us.

"Permitted Debt" means Indebtedness for Borrowed Money issued in connection with a contract or contracts to purchase from us common stock of us, Parent or any Affiliate of Parent (which common stock was not held as an asset of us) for an aggregate amount equal to the aggregate principal amount of such Indebtedness for Borrowed Money.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Securities" means, without duplication, any trust preferred or preferred securities or related debt or guaranties of us or any of our subsidiaries.

"Project Finance Debt" means:

- any Indebtedness to finance or refinance the ownership, acquisition, development, design, engineering, procurement, construction, servicing, management and/or operation of any project or asset which is incurred by an Excluded Subsidiary; and

- any Indebtedness to finance or refinance the ownership, acquisition, development, design, engineering, procurement, construction, servicing, management and/or operation of any project or asset in respect of which the person or persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment of that Indebtedness other than: (i) recourse to such member of the Group for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from, or ownership interests or other investments in, such project or asset; and/or (ii) recourse to such member of the Group for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any encumbrance given by such member of the Group over such project or asset or the income, cash flow or other proceeds deriving from the project (or given by any shareholder or the like, or other investor in, the borrower or in the owner of such project or asset over its shares or the like in the capital of, or other investment in, the borrower or in the owner of such project or asset) to secure such Indebtedness, provided that the extent of such recourse to such member of the Group is limited solely to the amount of any recoveries made on any such enforcement; and/or (iii) recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, indemnity, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect of a payment obligation, or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against which such recourse is available.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

"Significant Subsidiary" means, at any particular time, any subsidiary of ours whose gross assets or gross revenues (having regard to our direct and/or indirect beneficial interest in the shares, or the like, of that subsidiary) represent at least 25% of the consolidated gross assets or, as the case may be, consolidated gross revenues of us.

"Subsidiary" means, with respect to any person, any corporation, association, partnership, limited liability company or other business entity of which 50% or more of the total voting power of shares of capital stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees is at the time owned, directly or indirectly, by (1) such person, (2) such person and one or more subsidiaries of such person or (3) one or more subsidiaries of such person.

"U.S. Government Obligation" means any:

(1) security which is: (a) a direct obligation of the United States for the payment of which the full faith and credit of the United States is pledged or (b) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is

unconditionally guaranteed as a full faith and credit obligation by the United States, which, in the case of clause (a) or (b), is not callable or redeemable at the option of the issuer of the obligation, and

(2) depositary receipt issued by a bank (as defined in the Securities Act) as custodian with respect to any security specified in clause (1) above and held by such bank for the account of the holder of such depositary receipt or with respect to any specific payment of principal of or interest on any such security held by any such bank, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

Registration rights

We have agreed with the initial purchasers, for the benefit of the holders of the notes, to use our reasonable best efforts, at our cost, to file, and cause to become effective, a registration statement with respect to a registered offer to exchange the notes for an issue of notes of ours ("exchange notes") with terms substantially identical to the notes (except that the exchange notes will not be subject to transfer restrictions). Upon the exchange offer registration statement being declared effective, we will offer the exchange notes in return for surrender of the notes. 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 note 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 notes 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 notes, from the issue date of the notes.

A holder of notes that wishes to exchange the notes 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 notes 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 notes, 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 notes and to keep the registration statement effective for a period of one year after the issue date of the notes, or, if earlier, the date when all notes covered by the shelf registration statement have been sold pursuant to the shelf registration statement or are no longer outstanding. We will, in the event of a shelf registration, provide copies of the prospectus and any amendment or supplement to each holder, notify each holder when the shelf registration statement for the notes has become effective and take certain other actions as are required to permit resales of the notes. A holder that sells its notes 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 registration on or prior to the date that is 390 days following the issuance of the notes (the "exchange offering closing deadline") or (b) we have not caused to become effective a shelf registration statement by the 90th day after such obligation arises (the "shelf effectiveness deadline") (which in no event, however, shall be earlier than the exchange offer closing deadline), the interest rate for the notes will increase by a rate of 0.25% per annum from the exchange offer closing deadline or the shelf effectiveness deadline, as applicable, during the first 90 day period, and shall further increase by 0.25% per annum beginning on the 91st day following either of the foregoing, until the exchange offer is completed, in the case of an exchange offer, or the shelf registration statement is declared effective. The additional interest rate for the notes will not at any time exceed 0.50% per annum notwithstanding our failure to meet more than one of these requirements.

If we effect the exchange offer, we will be entitled to close the exchange offer 20 business days after the commencement thereof if we have accepted all notes validly surrendered in accordance with the terms of the exchange offer. Notes 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 "Notice to Investors".

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

Certain U.S. federal income tax consequences

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

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

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

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

In addition, this discussion does not address any beneficial owners of the notes whose 2021 Notes are redeemed in connection with this offering.

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

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

Tax consequences to U.S. holders

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

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

Potential contingent payment debt treatment

Under certain circumstances, the Company may pay holders of notes amounts in excess of the stated interest and principal payable on the notes or may pay amounts prior to the normally scheduled payment dates. For instance, upon the occurrence of a Change of Control Triggering Event, the Company would generally be required to repurchase the notes at 101% of their principal amount plus accrued and unpaid interest, as described under "Description of the Notes—Repurchase at the Option of Holders." Similarly, the Company may be required to pay additional interest on the notes if it fails to comply with certain registration obligations (see "Registration Rights"). The Company intends to take the position that the possibility that it may be required to make any of these payments does not result in the notes being treated as contingent payment debt instruments under the applicable Treasury regulations. The Company's position is not binding on the Internal Revenue Service (the "IRS"). If the IRS successfully takes a contrary position, U.S. Holders would be required to treat any gain recognized on the sale or other disposition of the notes as ordinary income rather than as capital gain. In addition, U.S. Holders would be required to accrue interest income on a constant yield basis at an assumed yield determined at the time of issuance of the notes, with adjustments to such accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield. U.S. Holders should consult their tax advisors regarding the tax consequences of the notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments.

Payments of interest

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

Sale, exchange or other disposition

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

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

Upon the exchange of the notes for the exchange notes, U.S. holders will not recognize any gain or loss. The exchange note will have the same tax basis and holding period as the note surrendered in exchange for the exchange note.

Backup withholding and information reporting

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

Tax consequences to Non-U.S. Holders

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

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

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

Subject to the discussions below concerning backup withholding and FATCA:

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

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

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

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

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

Backup withholding and information reporting

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

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

FATCA legislation

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

Plan of distribution

We and the initial purchasers, for whom J.P. Morgan Securities LLC is acting as representative, have entered into a purchase agreement relating to the offering and sale of the notes. In the purchase agreement, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the entire principal amount of the notes.

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from us, are several and not joint. Those obligations are also subject to various conditions in the purchase agreement being satisfied. The initial purchasers have agreed to purchase all the notes if any of them are purchased.

The initial purchasers have advised us that they propose to offer the notes for resale at the offering price that appears on the cover of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreement, we have agreed that:

- We will not offer or sell any of our debt securities, other than the notes, for a period of 30 days after the date of this offering memorandum without the prior consent of J.P. Morgan Securities LLC.
- We will indemnify the initial purchasers against some liabilities, including liabilities under the Securities Act.

The notes have not been registered under the Securities Act or qualified for sale under the securities laws of any state or any jurisdiction outside the United States. Accordingly, the notes are subject to restrictions on resale and transfer as described under "Transfer restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In the purchase agreement, each initial purchaser has acknowledged and agreed that:

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

Each purchaser of the notes offered by this offering memorandum, in making its purchase, will be deemed to have made certain acknowledgements, representations and agreements as described under "Transfer restrictions."

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for inclusion of the notes on any automated dealer quotation system. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the offering of the notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may have the effect of preventing or retarding a decline in the market price of the notes or cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Certain of the initial purchasers and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. From time to time, certain of the initial purchasers and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. For instance, affiliates of certain of the initial purchasers are agents and/or lenders under the DPL credit facility and/or DP&L credit facility. Additionally, because we intend to use the proceeds from the sale of the notes offered hereby, together with cash on hand and/or the proceeds of other short-term borrowings, to redeem all of the $380.0 million aggregate principal amount of the 2021 Notes outstanding, the initial purchasers or their affiliates that hold 2021 Notes will receive a portion of the proceeds of this offering. In addition, U.S. Bancorp Investments, Inc., one of the initial purchasers, is an affiliate of the trustee.

Notice to prospective investors in Canada

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

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

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding initial purchaser conflicts of interest in connection with this offering.

Notice to prospective investors in the European Economic Area

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation. This offering memorandum has been prepared on the basis that any offer of notes in any member state of the EEA or in the UK will be made pursuant to an exemption under the Regulation (EU) 2017/1129 (the "Prospectus Regulation") from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation. Each subscriber for or purchaser of the notes in the offering located within a member state of the EEA or in the UK will be deemed to have represented, acknowledged and agreed that it is not a "retail investor". The initial purchasers and their affiliates and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. The initial purchasers have not authorized and do not authorize the making of any offer of securities through any financial intermediary, other than offers made by the initial purchasers with a view to the final placement of the securities as contemplated in this offering memorandum. Accordingly, no purchaser of the securities, other than the initial purchasers, is authorized to make any further offer of the securities on our behalf or on behalf of the initial purchasers.

Notice to prospective investors in the United Kingdom

Each initial purchaser has represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the FSMA)) received by it in connection with the issue or sale of the notes in circumstances in which Section 21 of the FSMA does not apply to the issuer; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to prospective investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (a) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (b) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (c) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to prospective investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1998, as amended (the FIEL)) and each initial purchaser has agreed that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. As used in the paragraph, a resident of Japan means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to prospective investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case, subject to compliance with conditions set forth in the SFA. Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes, pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interests in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law. Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, all relevant persons (as defined in Section 309A of the SFA) are hereby notified that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to prospective investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to investors

Offer and sale of the notes

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons, except in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the notes are being offered and issued only (1) to qualified institutional buyers, as defined in Rule 144A under the Securities Act, and (2) outside the United States, to non-United States persons in reliance upon Regulation S under the Securities Act.

Investor representations and restrictions on resale

Each purchaser of notes, will be deemed to represent, warrant, and agree as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used in this offering memorandum as so defined):

(1) the purchaser (a)(i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such notes for its own account or for the account of a qualified institutional buyer or (b) is not a United States person and is purchasing the notes in an offshore transaction pursuant to Regulation S;

(2) the purchaser acknowledges that the notes have not been registered under the Securities Act and may not be sold except as permitted below;

(3) the purchaser understands and agrees on its own behalf and on behalf of any accounts for which it is acting as hereinafter stated that (a) if in the future the holder decides to offer, resell, pledge or otherwise transfer such notes, such notes may be offered, sold, pledged or otherwise transferred only (i) to us or one of our affiliates, (ii) to a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of notes of $100,000, (iv) pursuant to an exemption from the registration requirements of the Securities Act, (v) pursuant to an effective registration statement under the Securities Act or (vi) outside the United States to a non-U.S. person in compliance with Regulation S under the Securities Act and, in each of cases (ii) through (vi), in accordance with applicable securities laws of any state of the United States or any other jurisdiction, and (b) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of such notes from it of the resale restrictions referred to in (a) above;

(4) the purchaser also acknowledges that (i) the above restrictions on resale will apply from the closing date until (a) the date that is six months (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the closing date and the last date that the we or any of our affiliates was the owner of the notes or any predecessor of the notes or (b) such later date as may be determined by us (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends; (ii) if a holder of the notes proposes to resell or transfer notes under clause (iii) above before the applicable Resale Restriction Period ends, the seller must deliver to us and the trustee a letter from the purchaser in the form set forth in the indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the notes not for distribution in violation of the Securities

Act; (iii) we and the trustee reserve the right to require in connection with any offer, sale or other transfer of notes under clauses (ii) through (iv) and (vi) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the us and the trustee;

(5) the purchaser understands that the notes (other than those issued to foreign purchasers after expiration of the applicable period and presentation of appropriate certification) will, until the expiration of the applicable holding period with respect to the notes set forth in Rule 144(d) promulgated under the Securities Act, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE LAWS OF ANY STATE OR OTHER JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER (1) REPRESENTS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR")) OR (C) IT IS NOT A UNITED STATES PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND (2) AGREES FOR THE BENEFIT OF DPL INC. THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY (A) TO DPL INC. OR ITS AFFILIATES, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) IN AN OFFSHORE TRANSACTION TO A NON-U.S. PERSON IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (E) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE TRUSTEE A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE) RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE, OR (F) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(C), (D), (E) OR (F) ABOVE, DPL INC. RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(6) the purchaser acknowledges that (a) none of us, the initial purchasers or any person acting on behalf of any of the foregoing has made any statement, representation, or warranty, express or implied, to it with respect to us or the offer or sale of any notes, other than the information we have included in or incorporated by reference into this offering memorandum and (b) any information it desires concerning us and the notes or any other matter relevant to its decision to purchase the notes (including a copy of this offering memorandum) is or has been made available to it;

(7) if the purchaser is a foreign purchaser outside the United States, it understands that the notes will be represented by a Regulation S global note and that transfers are restricted as described under "Description of the Notes—Form, Denominations and Registration of Notes," and that transfers by an owner of a beneficial interest in the Regulation S global note to a transferee who takes delivery of that interest through the Rule 144A global note will be made only upon receipt by the trustee of a written

certification from the transferor (the form of which certification can be obtained from the trustee) as to compliance with the transfer restrictions referred to above;

(8) if the purchaser is a qualified institutional buyer, it understands that the notes offered in reliance on Rule 144A will be represented by a Rule 144A global note and that, before any interest in a Rule 144A global note may be offered, sold, pledged or otherwise transferred to a person who is not a qualified institutional buyer, the transferee will be required to provide the trustee with a written certification (the form of which certification can be obtained from the trustee) as to compliance with the transfer restriction referred to above;

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

(10) either (i) no portion of the assets used by you to acquire or hold the notes or any interest therein constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), any plan, account or other arrangement that is subject to Section 4975 of the 'Code', or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, or an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the acquisition and holding of the notes or any interest therein by you will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Law.

Legal matters

Certain legal matters in connection with the offering of the notes will be passed upon for DPL Inc. by Davis Polk & Wardwell LLP, New York, New York. Certain legal matters in connection with the offering of the notes will be passed upon for the initial purchasers by Latham & Watkins LLP, New York, New York.

Independent registered public accounting firm

The consolidated financial statements of DPL Inc. as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, incorporated by reference in this offering memorandum, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated by reference herein.

DPL