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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of The AES Corporation, Dolphin Sub, Inc., DPL Inc. and The Dayton Power and Light Company for Consent and Approval for a Change of Control of The Dayton Power and Light Company.	))))))	Case No. 11-3002-EL-MER

STIPULATION AND RECOMMENDATION WITH THE CITY OF DAYTON

Ohio Administrative Code Rule 4901-1-30 provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in that proceeding. This Stipulation and Recommendation ("Stipulation") sets forth the understanding of the parties that have signed below (the "Signatory Parties"). The Signatory Parties recommend that the Public Utilities Commission of Ohio ("Commission") approve and adopt, as part of its Opinion and Order, this Stipulation which will resolve all of the issues in the above-captioned proceeding.

WHEREAS, on April 19, 2011, DPL Inc., The AES Corporation, and Dolphin Sub, Inc. ("Merger Sub") signed an Agreement and Plan of Merger;

WHEREAS, as a result of the proposed merger, Merger Sub would merge with and into DPL Inc., Merger Sub would cease to exist and DPL Inc. would survive as a wholly-owned subsidiary of AES;

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WHEREAS, on May 18, 2011, Applicants AES, Merger Sub, DPL, and The Dayton Power and Light Company ("DP&L") filed an Application requesting that the Commission approve the merger;

WHEREAS, on July 18, 2011, The City of Dayton and other interested persons filed comments regarding the proposed merger, and on August 18, 2011, Applicants, Dayton and other interested persons filed reply comments regarding the proposed merger.

NOW, THEREFORE, for the purposes of resolving all issues raised in this proceeding, the Signatory Parties stipulate, agree and recommend as follows:

1. Dayton does not oppose the merger, and urges the Commission to issue a prompt approval of the merger. Dayton does not believe that a hearing is necessary in this matter, and withdraws its request for a hearing.

2. AES agrees to maintain DP&L's operating headquarters in Dayton, Ohio, and DP&L's name for at least five (5) years following the effective date of the merger. AES may include a designation or line specifying that DP&L is an AES company or affiliate, or member of the AES family of companies.

3. a. For three (3) years following the effective date of the merger, Applicants agree not to implement any involuntary workforce reductions that result in DPL Inc. and DP&L employing less than ninety percent (90%) of the number of individuals in the aggregate who are employed (exclusive of officers and management employees covered by a change in control agreement) the day before the merger closes.

   b. To protect Dayton's annual payroll tax revenue (receipts by Dayton from Applicant of Dayton income tax withheld by Applicant associated with wages Applicant pays to its employees), if the payroll tax revenue received by Dayton from the Applicants from January 1, 2012 through December 31, 2016 is less than Three Million Dollars and No Cents (US$3,000,000.00), then AES shall be required to compensate Dayton for the difference through a direct payment to be made to Dayton within ninety (90) days of written request from Dayton.

   c. Executive payouts, distributions, earnings, change of control payments, retention incentives, or other executive compensation paid by the Applicants in connection with or as a result of the merger, shall be made and realized for tax purposes within the Dayton corporate limits to the extent that they are subject to

the taxing provisions of Dayton's RCGO as of the effective date of the Stipulation and Recommendation.

4. Applicants agree that costs incurred directly related to the negotiation, approval and closing of the merger will not be recovered from ratepayers or through regulated rates.

5. Through December 31, 2017 Applicants agree to discuss with Dayton any plans Applicants have to move DP&L's operating headquarters, at least one hundred and eighty (180) days before any move is to occur.

6. If DP&L's operating headquarters are moved out of the MacGregor Park facility on or before December 31, 2017, then Dayton shall have an option to purchase the approximately 125 acres and improvements comprising DPL's MacGregor Park facility, under the following terms and conditions:

   a. If Applicants receive a bonafide offer to purchase the MacGregor Park property on or before December 31, 2017 and such offer contains a commitment that the use for the MacGregor Park property by the bonafide purchaser falls within the definition of a Business Park as codified in the City of Dayton Zoning Code <u>or</u> should Dayton otherwise acknowledge in writing that the Applicants (or any successor in interest) have a planned use for the MacGregor Park property that satisfies Dayton's reasonable expectations and requirements regarding land use, planning and development, then Dayton's option over the MacGregor Park property shall immediately expire and the requirements of paragraphs 5(b) and 5(c) below shall no longer apply and shall be deemed void. Under such circumstances, the Applicants shall provide Dayton written notice of the bonafide offer and a complete description of the details of such planned use in order to allow Dayton to certify that such use satisfies the Zoning Code requirements and/or Dayton's reasonable expectations and requirements. Dayton shall have up to thirty (30) days to provide to Applicants a written response accepting or rejecting Applicants request for certification, which response shall not be unreasonably withheld or delayed.

   b. If Applicants receive a bonafide offer to purchase the MacGregor Park property on or before December 31, 2017 that Applicants choose to accept and such bonafide offer does not satisfy the requirements of 5(a), then the Applicants shall within fifteen (15) days give to the City Manager of Dayton written notice that shall identify for the City Manager the amount of the bonafide offer and set an option price for Dayton in an amount not to exceed one hundred and five percent (105%) of such bonafide offer ("City Option Price"). Dayton must notify Applicants in writing within forty-five (45) calendar days of its decision to acquire the MacGregor Park property for the City Option Price, or else the option expires without further notice. If within forty-five (45) calendar days Dayton provides written notice that it will exercise its option to purchase the MacGregor Park property at the City Option Price, then Dayton must acquire the MacGregor

Park property at a closing within ninety (90) days of its written notice to Applicants or else the option expires without further notice.

c.. If Applicants do not have a current bonafide offer to purchase the facility, then Applicants shall give to the City Manager of Dayton written notice of their intent to move DP&L's operating headquarters out of the MacGregor Park facility at least one hundred and eighty (180) days before any move is to occur. The notice shall contain an appraisal of the fair market value of the land and improvements at the MacGregor Park facility by an M.A.I. certified appraiser selected by Applicants. Unless the Applicants receive a bonafide offer to acquire the MacGregor Park property, Dayton shall have up to eighteen (18) months from the date of receipt of the Applicants' notice of its intent to move to notify Applicants, in writing, of Dayton's decision to exercise the option to acquire the MacGregor Park property for a price equal to Applicants appraisal value. If within eighteen (18) months Dayton provides written notice that it will exercise its option to purchase the property, then Dayton must acquire the property at Applicants' appraisal value at a closing within ninety (90) days of its written notice to Applicants, or else the option expires without further notice. If Applicants receive a bonafide offer to purchase the MacGregor Park property that Applicants choose to accept initially or during the pendency of the aforementioned eighteen (18) month time period, but prior to Dayton exercising its option, then the option procedure contained in either paragraph 5(a) or 5(b), whichever is appropriate based upon the circumstance, shall control.

7. Applicants agree to make an economic development payment to the City of Dayton in the amount of Seven Hundred Thousand Dollars and No Cents (US$700,000.00) on or before December 31, 2014, of which Three Hundred and Fifty Thousand Dollars and No Cents (US$350,000.00) shall be received by Dayton on or before December 31, 2013. In consideration for this payment, Dayton agrees to not request any economic development payments from DP&L for the years 2013-2014 in connection with any proceeding before this Commission . Dayton may negotiate over and benefit from any program (economic development or otherwise) that is established for the benefit of DP&L customers.

8. In arm's-length bargaining, the Signatory Parties have negotiated terms and conditions that are embodied in this Stipulation. This Stipulation contains the entire Agreement among the Signatory Parties, and embodies a complete settlement of all of their claims, defenses, issues and objections in these proceedings. The Signatory Parties agree that this Stipulation is in the best interests of the public and of all parties, and urge the Commission to adopt it.

9. This Stipulation is submitted for the purposes of this case alone and should not be understood to reflect the positions that an individual Signatory Party may take as to any individual provision of the Stipulation standing alone, nor the position a Signatory Party may have taken if all of the issues in this proceeding had been litigated. Nothing in this Stipulation shall be used or construed for any purpose to

imply, suggest or otherwise indicate that the results produced through it represent fully the objectives of any Signatory Party. This Stipulation is submitted for purposes of this proceeding only, and is not deemed binding in any other proceeding, except as expressly provided herein, nor is it to be offered or relied upon in any other proceedings, except as necessary to enforce the terms of this Stipulation. As with such Stipulations reviewed by the Commission, the willingness of Signatory Parties to sponsor this document currently is predicated on the reasonableness of the Stipulation taken as a whole.

10. The Signatory Parties will support the Stipulation if the Stipulation is contested, and including support of it in an application for rehearing.

11. This Stipulation is conditioned upon adoption of the Stipulation by the Commission in its entirety and without material modification.

IN WITNESS THEREOF, the undersigned parties agree to this Stipulation and Recommendation as of this 2nd day of September, 2011. The undersigned parties respectfully request the Commission to issue its Opinion and Order approving and adopting this Stipulation.

THE AES CORPORATION AND
DOLPHIN SUB, INC.

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Stipulation and Recommendation with the City of Dayton has been served via electronic mail upon the following counsel of record, this 2nd day of September, 2011:

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