CORPORATE GOVERNANCE GUIDELINES

(as adopted February 3, 2004)
(revised September 19, 2006)

The most important corporate objective of DPL Inc. and its subsidiaries (the "Company") is to conduct business activities so as to enhance the value of the enterprise to the Company's stockholders. In order for the Company to reach this objective, the interests of the Company's employees, customers, and creditors must also be considered, as well as the interests of the communities in which the Company's operations are conducted and the general public. The directors of the Company are elected by the stockholders with the responsibility to oversee and direct management to achieve the above objective. Although management is responsible for the day-to-day business operations of the Company, the Board of Directors provides oversight with respect to the strategic direction and key policies of the Company and approves major initiatives, advises on significant financial and business objectives and monitors progress with respect to such matters.

Composition of Board of Directors

Size of the Board. The Board shall generally consist of nine directors. The Board is classified into three classes of approximately equal size. Each year one class of directors is nominated for election, for a three-year term, or until their successors qualify and are elected by the stockholders. There should be no more than two directors who are employees of the Company. The Nominating and Corporate Governance Committee may make recommendations to the Board concerning the composition of the Board, including its size and qualifications for membership. The Company shall not have honorary or emeritus directors.

Mix of Employee and Independent Directors. As a matter of policy, the Board will always consist of a majority of "independent directors" as that term is defined from time to time by relevant law and the New York Stock Exchange ("NYSE") listing standards. The determination that a director is independent shall be made by the Board following a review of all relevant information and a recommendation by the Nominating and Corporate Governance Committee. The Company will discuss its determination of director "independence" in its annual proxy statement, as required by applicable law.

Resignation. If, in any uncontested election of directors of the Company, a director nominee has a greater number of votes "withheld" from his or her election than votes cast "for" his or her election, such director nominee shall promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee of the Board of Directors. A vote will be considered "withheld" from a director nominee, if a shareholder withheld authority to vote for such director nominee in any proxy granted by such shareholder in accordance with instructions contained in the proxy statement or accompanying proxy card circulated for the meeting of shareholders at which the election of directors is to be held. The Nominating and Corporate Governance Committee will then promptly evaluate all relevant factors relating to the election results, including, but not limited to: (i) the underlying reasons why a majority of affirmative votes was not received (if ascertainable), (ii) the director's background, experience and qualifications, (iii) the director's length of service on the Board of Directors and contributions to the Company, and (iv) whether the director's service on the Board of Directors is consistent with applicable regulatory requirements, listing standards, the

Company's Corporate Governance Guidelines and the corporate governance guidelines of independent advisory firms such as Institutional Shareholder Services.

Subject to any applicable legal or regulatory requirements, the Nominating and Corporate Governance Committee shall, within ninety (90) days of the date on which certification of the stockholder vote is made, decide whether to accept the resignation, reject the resignation or, if appropriate, conditionally reject the resignation and retain the director in office only if the underlying causes of the withheld votes can be promptly and completely cured. If the Nominating and Corporate Governance Committee decides to accept the director's tendered resignation, the director shall also immediately resign from the Board of Directors of The Dayton Power and Light Company and any other affiliated entities of DPL Inc. A full explanation of the Nominating and Corporate Governance Committee's decision will be promptly publicly disclosed in a periodic or current report filed with the Securities and Exchange Commission. Any director who tenders his or her resignation pursuant to this section of the Corporate Governance Principles and any non-independent director will not participate in the deliberations and decisions made hereunder. This resignation policy shall be described in the Company's proxy statement each year.

Retirement. Directors elected after January 1, 2003 must retire at the Company's Annual Meeting of Stockholders immediately following such director's 72nd birthday. Directors shall not stand for election after their 70th birthday. Directors who are current employees of the Company are expected to retire from the Board when they retire from the Company. The Board does not believe that non-employee directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. Upon such an event, the Nominating and Corporate Governance Committee shall review the continued appropriateness of Board membership under such circumstances, and the affected director shall be expected to act in accordance with the Nominating and Corporate Governance Committee's recommendation.

Board Membership Criteria

The Board seeks a diverse group of candidates who possess the background, skills and expertise to make a significant contribution to the Board, to the Company and its stockholders. Directors of the Company should be ethical individuals of proven judgment and competence. Accordingly, the Board may consider the following qualities:

Experience:

- high-level leadership experience in business or administrative activities;
- specialized expertise in the industry or industries in which the Company operates;
- breadth of knowledge about issues affecting the Company; and
- ability and willingness to contribute special competencies to Board activities.

Personal attributes:

- unquestioned personal integrity;
- loyalty to the Company and concern for its success and welfare – including the courage to criticize and to apply sound business ethics – and sound and independent judgment;

- awareness of a director's vital role in the Company's good corporate citizenship and corporate image;
- have time available for Board and committee meetings and consultation regarding Company matters;
- numerous contacts with business and political leaders; and
- willingness to assume responsibility on behalf of all stockholders for overseeing the management of the enterprise.

Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, ancestry, national origin or disability. Annually, the Nominating and Corporate Governance Committee will review the qualifications and backgrounds of the directors, as well as the overall composition of the Board, and recommend to the full Board the slate of directors to be recommended for nomination for election at the annual meeting of stockholders. Nominations to the Board may also be submitted to the Nominating and Corporate Governance Committee by the Company's stockholders in accordance with the Company's Regulations. The Chairman of the Nominating and Corporate Governance Committee will extend the formal invitation to stand for election to the Board of Directors.

Role of the Board of Directors

Responsibilities of the Board. The Board of Directors has the responsibility of overseeing management and establishing policies in areas of major importance to the Company. The duties and responsibilities of the Board include, among other items, reviewing and discussing (1) corporate and subsidiary goals and objectives; (2) management performance, development and succession; (3) management's plans for profitability, financing, capital expenditure budgets and productivity; and (4) the performance of the Board committees.

Specifically, the Board of Directors must approve all major actions proposed to be taken by senior management and generally review corporate policy regarding authorizations and approvals that commit the Company to a course of action. This includes, for example:

- authorization of dividends;
- issuances of Company securities;
- repurchases of Company securities;
- Company borrowing programs;
- extraordinary corporate transactions (such as mergers, acquisitions, liquidations or dispositions, and reorganizations);
- approval of capital programs (including capital budget plans); and
- approval of operation and maintenance plans.

The Audit, Compensation, Nominating and Corporate Governance Committees have been created to assist the Board in effectively carrying out its duties and responsibilities. The established purpose, principal functions, as well as membership and meeting descriptions for these committees are set forth in each committee's charter.

Information for Directors. To review the Company's operations and to hold management accountable, the Board needs access to relevant, timely information. The Board's effectiveness is based upon the capability of management to provide prompt and responsible answers to the

Board's questions. Therefore, the quality of Board discussions and resultant decisions is determined by the quality of information that Board members receive.

The Chairman of the Board will ensure the quality and availability of information for the directors, but directors should take the initiative to seek any additional data which they feel is necessary or appropriate. The directors should generally be informed of:

- current corporate objectives of the Company;
- management succession strategies of the Company;
- business plans for each significant subsidiary;
- short-range and long-range financial strategies and, where appropriate, energy forecasts for each subsidiary;
- the Company's concepts, policies and actions concerning its business environment, employees, customers, suppliers, stockholders, investment community, governmental bodies and the public; and
- management's reaction to changes in the outside environment which could have an effect on the Company and its businesses.

Officers and managers should always be available to Board members. They should be invited to attend Board meetings as frequently as is deemed necessary by the Board, and the decision as to who attends Board meetings will be recommended by the Chief Executive Officer. He will advise members of management when they are expected to appear before the Board, and provide adequate lead time for preparation of necessary information. These presentations may involve personnel from the various subsidiaries since the Board is as interested in evaluating management personnel as it is in reviewing the material presented. Presentations by management personnel are designed to provide ample opportunity for Board members to pursue discussions with such management personnel. In addition, Board members have free access to all other members of management and employees of the Company and, as necessary and appropriate, Board members may consult with the Company's independent legal, financial and accounting advisors to assist in their duties to the Company and its stockholders.

Director Compensation

The Nominating and Corporate Governance Committee, in consultation with the Compensation Committee, is responsible for recommending the compensation program for Board members. The following guidelines have been adopted to establish the general principles that the Nominating and Corporate Governance Committee intends to follow:

- Board compensation should reflect both the workload and scope of responsibilities associated with Board service.
- In order to attract and retain able and experienced Board members, Directors should be compensated fairly through a mix of compensation, including an annual cash retainer, meeting attendance fees, and equity compensation. No retirement benefits should be paid to directors.
- The Nominating and Corporate Governance Committee, with the assistance of outside compensation experts, will periodically review Board compensation considering director compensation for other comparable companies as well as other appropriate factors.

- The Company's executive officers shall not receive additional compensation for their service as Directors.
- Directors should be able to defer compensation until their Board service is completed.
- Directors should be fully reimbursed for their reasonable travel, lodging, meals and other expenses related to Board service.
- At least once every year, the Nominating and Corporate Governance Committee will review these guidelines. Changes in these guidelines or Board compensation, if any, should come at the suggestion of the Nominating and Corporate Governance Committee, but with full discussion and the concurrence of the Board.

Share Ownership of Directors

The Board believes that directors should be stockholders and have a financial stake in the Company. It is expected that each non-employee director should hold a minimum of five times his or her annual equity compensation. Each non-employee director shall have five years to acquire the required level of stock ownership. Individual circumstances will be considered but it is expected that the director's financial interests are closely aligned with the long-term interests of DPL and its shareholders.

Affiliations and Conflicts of Directors

The Company's Code of Business Conduct and Ethics applies to each director that serves on the Board. Accordingly, it is the responsibility of each director to advise the Chairman of the Board of any affiliation with public or privately held businesses, organizations (charitable or, otherwise) or enterprises that may create a potential conflict of interest, potential embarrassment to the Company or possible inconsistency with Company policies or values. The Company annually solicits information from directors in order to monitor potential conflicts of interest and directors are expected to be mindful of their fiduciary obligations to the Company.

The limit on the number of other public company boards that a director may hold is established at three. Any exceptions must be approved by the Nominating and Corporate Governance Committee and the Board (subject to NYSE rules regarding membership on Audit Committees). A director is required to advise the Chairman of the Board and Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board.

Any director who experiences a significant change in responsibilities or assignment is expected to tender a letter of resignation to the Chairman of the Board. The Nominating and Corporate Governance Committee will review the letter and make a recommendation to the Board.

Directors may, from time to time, meet with or communicate with various constituencies that are involved with the Company. It is expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.

Chairman of the Board

The Company's Regulations permit the Chairman, President and Chief Executive Officer to be the same person and the Board does not have a policy on whether the role of the Chief Executive Officer and the Chairman should be separate.

Term Limits

The Board does not believe it should establish term limits. While term limits may help insure that there are fresh ideas and viewpoints available to the Board, they hold the potential disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's continuation on the Board every year.

New Director Orientation and Continuing Education

All new directors must participate in the Company's orientation program, which should be conducted within 120 days of the annual meeting at which new directors are elected. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. In addition, the orientation program will include visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities. All other directors are also invited to attend the orientation program. The professional growth program for directors includes four major elements. First, directors are expected to keep abreast of director related issues through reading and individual study. Second, there will be a two-day continuing education program scheduled every other year to keep directors aware of the utility environment and world economic conditions that may affect future business plans and operating results. Third, participation in a DPL corporate business experience with employees, customers or external agencies is expected each year. Finally, all board members must attend an executive education program designed exclusively for corporate board directors every other year.

Board Meetings

Number of Meetings. The Board meets at regularly scheduled meetings approximately five times a year.

Location of Meetings. To provide directors with first-hand knowledge to make strategic decisions and for their continuing education about the environment in which the Company operates and competes, meetings may be held at locations other than the corporate headquarters.

Board Agenda and Materials. While the Board believes that a carefully planned agenda is important for effective Board meetings, the agenda is flexible enough to accommodate unexpected developments. The agenda should generally include:

- areas of concern and opportunity;
- a general review of major segments of the Company's business and/or major subsidiaries, with complete analyses, where possible;
- new areas of endeavor;
- financial health of the Company;
- a report on management depth and succession;
- a report on performance of plans and capital expenditures against forecasts; and
- other items which may be suggested or requested by management or directors.

The items on the agenda are typically determined by the Chief Executive Officer and the Chairman in consultation with the Board. Any director may request that an item be included on the agenda.

At Board meetings, ample time is scheduled to assure full discussion of important matters. Management presentations are scheduled to permit a substantial portion of Board meeting time to be available for discussion and comments.

It is critical for directors to receive information sufficiently in advance of Board meetings so they will have an opportunity to prepare for discussion of the items at the meeting. Generally, directors can expect to receive summaries/slides of presentations several business days in advance of a meeting. Directors are expected to attend all meetings and to have reviewed, prior to the meetings, all written materials distributed to them in advance. At each meeting, any written materials not available in advance are provided to each director. Information is provided from a variety of sources, including management reports, a comparison of performance to operating and financial plans, reports on the Company's stock performance and operations prepared by third parties, and articles in various business publications. In many cases, significant items requiring Board approval may be reviewed in one or more meetings and voted upon in subsequent meetings, with the intervening time being used for clarification and discussion of relevant issues.

Executive Sessions. The Company believes that regular scheduling of meetings of non-management directors is important in order to foster better communication among non-management directors. Executive sessions are those sessions or meetings of only the non-management directors. These meetings should occur at least three times per year in order to review, among other things, the report of the independent auditors, the criteria upon which the performance of the Chief Executive Officer and other senior managers is based, the performance of such officers against such criteria and any other relevant matter.

In order for interested parties to be able to make their concerns known to the non-management directors, the Company shall, as soon as reasonably practicable after the adoption of these Guidelines, disclose a method for such parties to communicate directly with the non-management directors.

Regular Attendance. Directors are expected to attend Board meetings on a regular basis. The Chief Executive Officer recommends the guest attendees at any Board meeting who will be present for the purpose of making presentations, responding to questions by the directors, or providing counsel on specific matters within their areas of expertise. Such persons shall not attend executive sessions unless their presence is requested by the non-management directors (which may be at the recommendation of the Chief Executive Officer).

<u>Corporate Support</u>

The Corporate Secretary serves as secretary to the Board and, at the request of the Chairman, arranges meetings and distributes the materials presented to the Board and its committees.

<u>Board Committees</u>

Number and Composition of Committees. The Board currently has three committees: the Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee. Each committee has its own charter, which shall be posted on the Company's website. All of the members of these committees are independent directors, as defined by applicable law and NYSE listing standards. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

Audit Committee: The Audit Committee oversees the Company's auditing, accounting, financial reporting and internal control functions, appoints the Company's independent accounting firm and approves its services.

Nominating and Corporate Governance Committee: The Nominating and Corporate Governance Committee considers and recommends to the Board nominees for officers and nominees for election as directors, including nominees recommended by stockholders, and oversees evaluation of the Board and management. The Nominating and Corporate Governance Committee also provides input on setting goals and developing strategies to achieve employee diversity and oversees the implementation of these strategies and evaluates their results, and develops and recommends corporate governance policies to the Board and oversees implementation. During intervals between Board meetings, this committee exercises all of the powers of the Board except as provided in the committee's charter.

Compensation Committee. The Compensation Committee makes recommendations to the Board concerning senior officers' compensation, equity incentive and other benefit plans.

Committee Assignments and Rotation. The Nominating and Corporate Governance Committee, after considering to the extent practicable the desires of Board members and the Chief Executive Officer, recommends committee assignments to the full Board for approval. In order to ensure that directors are exposed to all facets of the Company's business and board functions, committee members may be rotated, but such rotation is not mandated as there may be reasons to maintain an individual director's committee membership for longer or shorter periods.

Committee Agendas. The chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of the year, each committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee will be furnished to all directors.

Frequency of Committee Meetings. Each committee meets periodically as deemed necessary by its chairman. Each committee provides a report to the Board at the next board meeting following the committee meeting.

Committee Materials In Advance of Committee Meetings. Materials are provided in advance of committee meetings in the same manner as applicable for Board meetings.

<u>Evaluations and Other Matters</u>

Assessing Board and Committee Performance. The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. Each committee shall also conduct its own annual self-evaluation. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve. In addition, the Chairman of the Board shall also hold a meeting each year with each director to review the director's performance and suggestions for Board improvement.

Formal Evaluation of the Chief Executive Officer. The Nominating and Corporate Governance Committee evaluates the Chief Executive Officer annually, and reviews its assessment with the Board of Directors. The Board communicates its views to the Chief Executive Officer through the chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's evaluation of the Chief Executive Officer is based upon a combination of objective and subjective criteria.

The Compensation Committee is responsible for setting annual and long-term performance goals in connection with the Chief Executive Officer's compensation and for evaluating his performance against such goals. The Compensation Committee may meet with the Nominating and Corporate Governance Committee to discuss the Chief Executive Officer's performance.

Succession Planning. The Chief Executive Officer shall confer periodically with the Nominating and Corporate Governance Committee on succession plans for senior management, including the office of chief executive officer. In order to assist the Board and the Nominating and Corporate Governance Committee, the Chief Executive Officer will provide an assessment of senior executives and of their potential to succeed him. The Chief Executive Officer also will provide a review of persons considered potential successors to certain other senior executive positions. The Nominating and Corporate Governance Committee also reports periodically to the Board on succession planning for senior management.

Management Development. The Chief Executive Officer reports regularly to the Nominating and Corporate Governance Committee on management development activities.

Securities Laws. Each director is required to timely submit a Directors and Officers Questionnaire that will be distributed to the directors by the Company in preparation for the annual report and annual proxy statement filed with the Securities and Exchange Commission ("SEC") and distributed to stockholders. This questionnaire may also be circulated before the

Company files any registration statement with the SEC. Each director is expected to comply with the Company's Insider Information and Securities Trading guidelines.

Board Interaction with Institutional Investors, the Press, Customers, Etc. The Board looks to management to speak for the Company but recognizes that individual directors may sometimes communicate with third parties on matters affecting the Company. Before doing so, to the extent feasible, directors are encouraged to consult with management.

Periodic Review; Disclosure

The Board of Directors believes that corporate governance is an evolving process and periodically reviews and updates these Guidelines. For the most recent Guidelines, please see the Company's website at www.dplinc.com.