

CHARTER OF AUDIT COMMITTEE

(as adopted March 3, 2005)

Status

The Audit Committee (the "Committee") is a committee of the Board of Directors of DPL Inc. (the "Company").

Composition

The Committee shall consist of at least three members, all of whom, in the judgment of the Board of Directors, shall be independent in accordance with the requirements of the New York Stock Exchange ("NYSE"), any other exchange on which the Company's securities are traded, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Each member of the Committee shall, in the judgment of the Board of Directors, have the ability to read and understand the Company's financial statements, or acquire such ability within a reasonable period of time after appointment to the Committee. At least one member of the Committee shall, in the judgment of the Board of Directors, be an "audit committee financial expert" in accordance with the rules and regulations of the SEC and at least one member shall have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. Committee members shall hold their offices for one year and until their successors are elected and qualified, or until their earlier resignation or removal.

No member of the Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board of Directors (1) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and (2) discloses such determination in the annual proxy statement.

Meetings

The Committee shall meet at least four times each year, or more frequently as the Committee determines is necessary. As part of the responsibility to foster open communication, the Committee should meet at least twice per year with management, the internal audit staff and the independent auditors in separate executive sessions. Meetings of the Committee may be held in person or by telephone.

The Committee shall keep a separate book of minutes of its proceedings and actions. A representative from the Company shall give notice, personally or by mail, telephone, facsimile or electronically, to each member of the Committee of all regular meetings not later than 12 noon of the day before the meeting, unless all of the members of the Committee in office waive notice thereof in writing at or before the meeting, in which case the meeting may be held without the aforesaid advance notice. A majority of the members of the Committee shall constitute a quorum for the transaction of business.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Upon the recommendation of the Committee, or if requested by the Board, the independent auditors shall be requested to attend any meeting of the full Board to assist in reporting the results of the annual audit or to answer directors' questions. The Committee shall periodically report on its activities to the Board and make such recommendations and findings as it deems appropriate. The Committee must perform an annual self-evaluation in accordance with NYSE listing standards.

Purpose

The purpose of the Committee is to provide oversight of the accounting functions and internal controls of the Company and to assist the Board in monitoring the independence of the independent auditors and the integrity of the Company's financial statements and disclosures. Specifically, the Committee's primary duties and responsibilities shall be to:

- assist the Board with its oversight of the integrity of the Company's (i) financial reporting process; (ii) systems of disclosure controls and procedures, external financial reporting and internal control over financial reporting; and (iii) legal and regulatory compliance;
- monitor the independence, qualifications and performance of the Company's independent auditors and monitor the performance of the Company's internal audit function;
- appoint or replace the Company's independent auditors and approve any audit, permitted non-audit and internal control-related services performed for the Company by the independent auditors;
- prepare the report that SEC rules require to be included in the Company's annual proxy statement; and
- perform such other similar duties and responsibilities which may be referred to the Committee from time to time by the full Board of Directors.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as any officer or employee of the Company. The Committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

In addition, the Audit Committee shall perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Board or the Committee deems appropriate or necessary.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management and the independent auditors. Nor is it the duty of the Committee to conduct general investigations or to assure compliance with laws and regulations and the Company's compliance policies.

Responsibilities And Duties

To fulfill its responsibilities and duties, the Committee shall:

Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit this Charter to the Board for approval. This Charter shall be made available on the Company's website.
2. Meet to review and discuss the Company's annual audited financial statements and quarterly financial statements with management and the internal auditor, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments. Based on review and discussions, make recommendations to the Board whether the Company's annual audited financial statements should be included in the Company's Annual Report on Form 10-K. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards (SAS) 61.
3. Review and discuss with management and independent auditors management's annual report on internal controls over financial reporting and the independent auditors' attestation of the report prior to the filing of the Company's Form 10-K.
4. Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. These discussions may be done generally (i.e., discussion of the types of information to be included paying particular attention to any use of "proforma," or "adjusted" non-GAAP, information and the type of presentation to be made) and these discussions need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.
5. In consultation with management, review and assess audits conducted by federal, state and other regulatory agencies (including FERC and PUCO) with respect to the Company's electric operations. Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
6. Reviewing legal matters that may have a material impact on the financial statements, accounting policies, the Company's compliance policies and internal controls, including any whistleblower complaints or published reports with the Company's General Counsel.

Independent Auditors

1. Be directly responsible for the appointment, retention and replacement of the independent auditors (subject, if applicable, to shareholder ratification) and the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee.
2. Pre-approve all audit, permitted non-audit and internal control-related services including engagement fees and terms thereof to be performed for the Company by the independent auditors, subject to the exceptions for certain non-audit services that are approved by the Committee prior to the completion of the audit in accordance with Section 10A of the Exchange Act. The Committee may form and delegate to a subcommittee consisting of one or more members (provided that such person(s) are independent directors) its authority to grant pre-approvals of audit, permitted non-audit and internal control-related services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.
3. Ensure the rotation of the lead or coordinating audit partner, and the audit partner responsible for reviewing the audit, as required by law and consider whether to rotate the audit firm itself on a regular basis. At least annually, review and evaluate the qualifications, performance and independence of the independent auditors, including the lead partner and other senior members of the audit team after gathering information from management and those responsible for performing the internal audit function and present the results of such evaluation to the Board.
4. On an annual basis, review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence. The Committee shall present its conclusions with respect to the independent auditors to the full Board.
5. Review the independent auditors' audit plan prior to commencement of the audit. Discuss, among other things, scope, staffing, locations, reliance upon management and general audit approach.
6. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditors who were engaged in any capacity in the audit of the Company, which policies shall meet the requirements of applicable law and NYSE listing standards.
7. At least annually, obtain and review a report by the independent auditors describing the auditors' independence and internal quality-control procedures and any material issues raised by the most recent internal quality-control review or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues.

Financial Reporting Process

1. Prior to releasing year-end earnings, discuss the results of the audit with the independent auditors, including (a) the scope and results of the audit, (b) any problems or difficulties that the independent auditors encountered in the course of the audit work and management's response thereto, (c) any restrictions on the scope of activities or access to requested information, (d) any significant disagreements with management and management's response thereto and (e) any questions, comments or suggestions the independent auditors may have relating to the internal controls and accounting practices and procedures of the Company.
2. Consider the independent auditors' judgments about the quality, not just the acceptability, and appropriateness of the Company's accounting principles as applied in financial accounting. Inquire as to the independent auditors' views about whether management's choices of accounting principles appear reasonable from the perspective of income, asset and liability recognition, and whether those principles are common practices.
3. In consultation with management and the independent auditors, consider the integrity of the Company's financial reporting processes and controls, both external and internal. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures, including the Company's risk assessment and risk management policies.
4. Discuss with management and the independent auditors (a) significant issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and significant issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

Internal Controls and Legal Compliance

1. Review and discuss with the independent auditors the responsibilities, budget, staffing, plan, changes in plan, activities, organizational structure and qualifications of the CFO and Controller's office and internal audit group, as needed. Review significant reports prepared by the CFO and Controller's office and internal audit group, together with management's response and follow-up to these reports.

2. Review the appointment, performance and replacement of the Controller and any other senior personnel responsible for financial reporting.
3. Consider and review with management, the internal audit group and the independent auditors the effectiveness or weakness of the Company's internal controls. Develop in consultation with management a timetable for implementing recommendations to correct identified weaknesses. Monitor significant changes in internal controls and the adequacy of disclosures about changes in internal control over financial reporting.
4. Review the coordination between the independent public accountants and internal auditors and review the risk assessment processes, scopes and procedures of the Company's internal audit work and whether such risk assessment processes, scopes and procedures are adequate to attain the internal audit objectives as determined by the Company's management and approved by the Committee. Review the quality and composition of the Company's internal audit staff.
5. Review the Company's compliance with laws, regulations and the Company's internal policies and procedures (including, but not limited to, the Company's Code of Business Conduct and Ethics) and confirm that management has proper review systems in place to promote the Company's compliance with laws, rules, regulations and internal policies and procedures, through the receipt of reports from management, legal counsel and third parties as determined by the Committee.
6. Establish and maintain procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters; and (b) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
7. Obtain from the independent auditors assurance that Section 10A (audit requirements) of the Exchange Act has not been implicated.
8. Request and receive reports on the design and implementation of internal controls. Monitor significant changes in internal controls and address any significant deficiencies and material weaknesses.
9. Discuss with the internal auditors the overall scope and plans for their audit, including the adequacy of staffing and any problems or difficulties the internal auditors may have encountered in connection with their audit.
10. Review, at least annually, the scope and results of the internal audit program, procedures for implementing accepted recommendations made by the independent auditors and any significant matters contained in reports to management prepared by the internal auditing department and management's responses thereto.