

MEMORANDUM TO FILES

December 4, 1997

Re: Western Resources - General

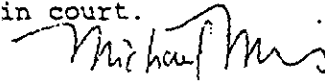
On Tuesday, November 25, 1997, I spoke with Rick Terrill in connection with the Western Resources, Inc. Short-Term Incentive Plan (the "Plan"). Mr. Terrill told me that, due to the dramatic increase in the EPS of Western Resources, Inc. (the "Company"), the awards under the Plan for 1997 (payable in 1998) would be far in excess of the amounts targeted at the beginning of the year. He asked for our views as to whether the Company was contractually bound to pay such amounts.

We discussed the terms of the Plan as in effect for 1997 and 1996. The 1996 Plan expressly provided for a cap on the amount payable. Such cap was deleted in the 1997 Plan. Mr. Terrill told me that Towers Perrin, outside compensation consultants retained by the Company, had recommended lifting the cap and that we could assume that the elimination of the cap was intentional. He stated that the 1997 Plan materials that he had provided to us had been given to the participants. He further stated that there were no other agreements or documents bearing on the Company's obligations under the Plan for 1997.

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On the basis of the foregoing, I told Mr. Terrill that, in our view, the stronger position was that the Company was contractually obligated to pay the large amounts calculated on the basis of the addenda to the 1997 Plan. Participants had been provided with the materials calling for such payments, and the Plan contains no provision allowing this benefit to be taken away. The amendment power in the Plan expressly prohibits amendments to outstanding awards. I told him that I could construct arguments for the opposite position, such as an argument that there were implied caps (arising, e.g., from the fact that the chart relating to EPS stops at a ratio of 110) or that there is an implicit right to adjust the formula for extraordinary circumstances. However, I told Mr. Terrill that I thought that these arguments against the Company's contractual obligation were not likely to prevail in court.


Michael Macris

cc: Jonathan I. Mark, Esq.
Gary W. Wolf, Esq.

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