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REDACTED**MEMORANDUM**John C. Davis:ph
May 6, 1998

To: Mr John K. Rosenberg

Re: Western Resources, Inc.
Split-Dollar Insurance Benefit Program
(1998)

Thomas R. Bruns and I have prepared the split-dollar insurance agreement in accordance with the program described in the Memorandum that is attached to this and that you provided to us. The attached memorandum describes the conclusions reached at a meeting of a number of executives of Western Resources, Inc. (the "Company") and a number of its advisers on March 31, 1998.

The program has a number of regulatory, accounting, and tax issues which, Tom and I understand, were discussed at the March 31 meeting.

Among the tax issues are the following:

1. What is time of recognition of income by executive?
 - a. Time of signing agreement;
 - b. Time option is first exercisable;
 - c. Time of exercise of option.
 - d. Other.

2. What deduction, if any, may be taken for tax purposes by the Company and time of such deduction?
 - a. Payment of compensation at time of exercise;
 - b. Purchase of capital asset at time of exercise.

Our understandings are that Western Resources, Inc. has employed Arthur Andersen & Co. to be its advisers with respect to the tax issues for the Company and for the executives in connection with this plan, and that Western Resources, Inc. has employed a law firm other than ours to advise it with respect to the reporting and securities issues associated with the preparation of its filings required under the securities acts. Our responsibility is to draft the split-dollar agreement subject to review and comments by appropriate officers of Western Resources, Inc., its tax advisers, and its securities law advisers. You have not asked us to give advice with respect to tax or securities issues, but we would be happy to do so if you request us to provide that service.

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Since we were not at the March 31 meeting, as background in connection with the preparation of the agreement, Tom and I spoke with you, John Lathrop (AA), Katie Welch (AA), Al Hagemann (AA), John Ridings Lee (Management Compensation Group), Jim Barbero (MCG), and Eugenia DeRosa (Transamerica).

We have not been able to obtain a copy of a proposed policy or the economic terms of a policy.

The format of the overall document is as follows:

1. Western Resources and six executives will enter into contracts providing for certain benefits.
2. Each of the six executives will not receive the unpaid portion of the 1997 short-term incentive that has not been paid to date.
3. For purposes of the Western Resources, Inc. Executive Salary Continuation Plan (revised July 1, 1996), compensation for each of the six executives will not include the unpaid portion of the 1997 short-term incentive cash compensation. In addition, three executives will agree to treat the paid portion of the 1997 short-term incentive cash compensation as zero for purposes of computing compensation under the provisions of that executive salary continuation plan.
4. The Company will purchase policies of life insurance on the lives of each of these six executives. A single premium determined to be reasonably likely to be the only payment required for the policy will be made by the Company. The Company will own each policy.
5. The Company will by endorsement permit the insured executive (or his assignee) to designate the beneficiary with respect to the portion of the death benefit that exceeds the greater of the premiums paid by the corporation or the cash value of the policy at the time of the death of the executive.
6. The parties anticipate that the executive will have to treat as income the value of term-insurance coverage equal to the amount of the benefit which the executive could designate at a particular time. The Company will "gross up" this amount by cash payment to the executive each year. Any other items of taxable income to the executive resulting from this plan will not be "grossed up." We have not provided for this "gross up" in

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the split-dollar agreement, since we suggest the "gross up" simply be a matter of adjusting each executive's compensation.

7. From and after the first to occur of the expiration of three years from the date of the issuance of the policy or the beginning of the first calendar year following the year of the executive's retirement (provided, in either case, the executive is then either an officer or shareholder of the Company), the executive at one time in whole or at several times in part may direct the Company to distribute to the executive an amount equal to \$1.00 for each \$1.50 his of death benefits (not total death benefit) under such policy, and upon such payment by the Company of the \$1.00 portion, the executive will transfer to the Company the executive's right with respect to such \$1.50 part (or all) of such death benefits.

8. This program can be terminated by the agreement of the Company and the executive.

Transamerica requests that the application for each policy contain a request for an endorsement to reflect the respective rights in each policy.

Deferred compensation agreements for ERISA purposes, a one-time filing with DOL is required. Split-dollar insurance only agreements need not be filed

The executives are these:

- John E. Hayes, Jr
- David C. Witting
- Norman E. Jackson
- Steven L. Kitchen
- Carl M. Koupal, Jr.
- John M. Rosenberg

Attachment

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AGREEMENT between Western Resources, Inc., a Kansas corporation (Western), and Westar Capital, Inc., a Kansas corporation (Westar), made this 31 day of January, 1998.

WHEREAS, Westar, a wholly owned subsidiary of Western wishes to secure from time to time the benefits of advice and assistance of the executive officers of Western (Officers), as such Officers may be available, and

WHEREAS, Western wishes to defray certain costs associated with its program of insurance adopted for such Officers as hereinafter identified and to make the benefits of the advice and assistance of such Officers available to Westar as such Officers may be available,

NOW, THEREFORE, in consideration of the premises herein contained, Western and Westar agree as follows:

1. Westar shall, upon notification by Western that such amounts are payable, pay to or for the account of such insurance carrier or carriers as have issued insurance policies pursuant to a program adopted by Western on January __, 1998, for the benefit of the Officers and Western, the amounts then due as premiums on such policies in such manner as to keep the policies in full force at their initial face amounts.
2. Payments made by Westar as provided in paragraph 1 above shall be made in a timely manner so as not to cause any such insurance policy to be in default.
3. Should Westar fail to pay any premium when due after notice from Western, Western may pay such premium, and the amount so paid shall be repaid to Western by Westar as soon as possible thereafter. While any such amount is payable by Westar, it shall bear interest at the rate applicable to balances outstanding under the line of credit extended to

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- Westar by Western, if any, or , if no such line of credit is in force, then at a rate equal to prime rate plus two percent.
4. At such time as Western receives proceeds from the insurance policies designed to return to Western the amount of premiums paid thereon, Western shall pay to Westar an amount of such proceeds in proportion to the premiums paid by Westar as a percentage of the total premiums paid on the policies.
 5. Western shall make its Officers available to Westar for advice and assistance as requested by Westar for matters within each such Officer's field of expertise, provided that such Officer is not otherwise occupied with the business of Western. Western and Westar shall cooperate to coordinate the demands on such Officers so as to best accommodate the needs of both parties, it being understood, however, that Western's requirements of the Officers shall take precedence.
 6. At all times when the Officers are providing advice and assistance to Westar, they shall be employed by Western and not Westar, and Western shall be a contractor with respect to all such work. Westar shall not be liable for the payment to the Officers of any compensation or benefits, nor shall it be responsible for any payroll or similar taxes, all of which shall be the responsibility of Western.
 7. The consideration provided by Westar in this agreement is for the availability of the Officers only, and shall be in addition to any hourly charges or allocations for time actually spent by such Officers in advising and assisting Westar.
 8. The Officers shall be third party beneficiaries to this agreement and shall each have a right of action directly against Westar for enforcement of any of its terms. Westar will pay any attorneys fees and other costs incurred by Western or the Officers, including their respective heirs, successors and assigns, in the enforcement of any provision of this agreement.

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9. Westar shall indemnify and hold harmless Western and the Officers, including their respective heirs, successors and assigns, from and against any loss, claim, cause of action, injury, damage or liability, including attorneys fees and other costs, arising in any way from services made available pursuant to this agreement or the performance or breach of this agreement by Westar.
10. This agreement shall remain in force, unless terminated by the mutual consent of Westar, Western and each of the Officers, until the last day of the sixth year after all insurance proceeds have been distributed under the respective policies or the policies have been terminated with the consent of Western and the Officers.
11. For purposes of this agreement, the Officers shall include the following: John E. Hayes, Jr., Chairman and Chief Executive Officer, David Wirig, President, Steven Kitchen, Executive Vice President and Chief Financial Officer, Carl Koupal, Executive Vice President and Chief Administrative Officer, Norman Jackson, Executive Vice President, Electric Operations and John Rosenberg, Executive Vice President and General Counsel. Changes in such titles after the date hereof shall not affect the respective rights and obligations of the parties hereto.
12. This agreement is made in and shall be construed under the laws of the State of Kansas, without giving effect to its conflict of law rules.

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