

June 26, 1998

Mr. Frank J. Becker  
Mr. John C. Dicus  
Mr. David H. Hughes

Gentlemen:

As you will recall, at the January Board meeting a proposal was adopted to address the payments to employees under the short-term incentive program. A part of that proposal included the purchase of a split dollar insurance plan for members of the Executive Council of the company.

The details of that program have now been finalized and I wanted to report to you on the final structure of the program. The following outlines the features of the program:

- Western Resources has paid the split dollar insurance premiums on behalf of the insured individuals.
- The executive has executed an agreement with the company which allows the individual to transfer the death benefit to the company at a discount equal to \$1 for each \$1.50 of the death benefit subject to an adjustment based on the total return to shareowners.
- At the death of the executive, Western Resources will receive a tax free death benefit equal to at least the premium made and all amounts paid by the company to purchase any death benefits.
- The value of the premium paid by the company will be reported as "other compensation" in the proxy statement.

The disclosure language has changed slightly from that shared with you in January. I am enclosing a copy of the new language black lined to show the changes.

*7/1 - DCW discussed w/ JEH. JEH called ~~to JEH~~ that he felt the board was aware of the program - and the total amounts based on his Jan discussion with Tom and that we did not need to do a follow up letter. He indicated he would brief from a 1/2 hr status during exec session of the board meeting.*

*LOK*

*This will include discussion of DCW's May, 1995 agreement*

As you will recall, the amounts for each individual were shared with you. Those amounts were based on a 10-year projected payout and were to be after-tax amounts (column "C"). Column "D" reflects the original amounts (column "C") grossed up for tax purposes and multiplied by ten. Column "D" is the current payment under the completed plan.

We feel that the completed program achieves the objectives which were originally outlined to you in January. As a point of information, we have rolled David Wittig's May, 1995 agreement into this split dollar arrangement which pays him \$5.37 million if he stays through May of 1999 in order to allow him access to that money under the terms of this agreement.

If you have any questions about this matter, please feel free to contact me.

Sincerely,

cc: Mr. John H. Robinson  
enclosures

	A	B	C	D	E
Name	Base Salary	1997 Short-term Entitlement	Program* Payout to Executive	Total 10-Year Payout Pre-Tax	Total Payment Under Current Plan
John Hayes	562,650	2,117,421	927,000	16,854,546	17,046,465
David Willig	514,250	1,932,191	1,073,000	19,509,041	18,684,233
Steve Kilchen	327,300	1,129,087	637,000	11,581,313	8,687,126
Carl Koupal	213,000	734,786	502,000	9,127,273	6,079,863
Norm Jackson	210,300	718,532	178,000	3,236,364	2,442,547
John Rosenberg	194,800	668,788	175,000	3,181,818	**4,446,686

Assumes 10-year payout  
 This amount increased due to change  
 in insurance classification from smoker to non-smoker




June 25, 1988

**New Language  
Black Lined to Show Changes**

The Company established a split dollar life insurance program for the benefit of the Company and certain of its officers, including executive officers. In recognition of the agreement of the affected individuals as to the amount of compensation that would be paid to them for 1997. Under the split dollar life insurance program, the Company has purchased a life insurance policy on the insured's life and, upon termination of the policy or the insured's death, the insured's beneficiary is entitled to a death benefit in an amount equal to the face amount of the policy reduced by the greater of (i) all premiums paid by the Company and (ii) the cash surrender value of the policy, which amount, at the death of (i) all employee or termination of the policy, as the case may be, will be returned to the Company. The Company retains an equity interest in the death benefit and cash value of the policy to secure this repayment obligation. In making the 1997 short-term incentive awards to the executive officers, including the Chief Executive Officer, the benefits being provided to them under the split dollar insurance program were taken into account.

Subject to the conditions described below, beginning on the earlier of (i) 3 years from the date of the policy or (ii) the first day of the calendar year next following the date of the effect's insured's retirement, the effect insured is allowed to sell transfer to the Company from time to time, in whole or in part, his interest in the death benefit under the policy at a discount equal to \$1 for each \$1.50 of the portion of the death benefit for which the effect insured may designate the beneficiary, subject to adjustment based on the stock price of the Company total return to shareholders annually from the date of the policy. Any adjustment would result in an exchange of no more than one dollar for each dollar of death benefit not less than one dollar for each two dollars of death benefit. 15% upward or downward per year, by no more than 2.5% per year. Notwithstanding the foregoing, an effect is allowed to sell to the Company up to 10% of the death benefit under the policy in each of 1999 and 2000. The program has been designed such that upon the participant's insured's death the Company will recover its premium payments for from the policies and any amounts paid by the Company to the participant to purchase insured for the transfer of his interest in the death benefit.

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The logo for Western Resources, featuring a stylized mountain peak or 'W' shape above the text 'Western Resources'.

WHR005837

June 26, 1998

Mr. Frank J. Becker  
Mr. John C. Dicus  
Mr. David H. Hughes

Gentlemen:

As you will recall, at the January Board meeting a proposal was adopted to address the payments to employees under the short-term incentive program. A part of that proposal included the purchase of a split dollar insurance plan for members of the Executive Council of the company.

The details of that program have now been finalized and I wanted to report to you on the final structure of the program. The following outlines the features of the program:

- Western Resources has paid the split dollar insurance premiums on behalf of the insured individuals.
- The executive has executed an agreement with the company which allows the individual to transfer the death benefit to the company at a discount equal to \$1 for each \$1.50 of the death benefit subject to an adjustment based on the total return to shareowners.
- At the death of the executive, Western Resources will receive a tax free death benefit equal to at least the premium made and all amounts paid by the company to purchase any death benefits.
- The value of the premium paid by the company will be reported as "other compensation" in the proxy statement.

The disclosure language has changed slightly from that shared with you in January. I am enclosing a copy of the new language black lined to show the changes.

WHR005838

As you will recall, the amounts for each individual were shared with you. Those amounts were based on a 10-year projected payout and were to be after-tax amounts (column "C"). Column "D" reflects the original amounts (column "C") grossed up for tax purposes and multiplied by ten. Column "D" is the current payment under the completed plan.

We feel that the completed program achieves the objectives which were originally outlined to you in January. As a point of information, we have rolled David Wittig's May, 1995 agreement into this split dollar arrangement which pays him \$5.37 million if he stays through May of 1999 in order to allow him access to that money under the terms of this agreement.

If you have any questions about this matter, please feel free to contact me.

Sincerely,

cc: Mr. John H. Robinson  
enclosures

WHR005839

	A	B	C	D	E
Name	Base Salary	1997 Short-term Entitlement	Program* Payout to Executive	Total 10-Year Payout Pre-Tax	Total Payment Under Current Plan
John Hayes	562,650	2,117,421	927,000	16,854,545	17,046,465
David Wittig	514,250	1,932,191	1,073,000	19,509,041	18,684,233
Steve Kilchen	327,300	1,129,087	637,000	11,581,313	8,687,126
Carl Koupal	213,000	734,786	502,000	9,127,273	6,079,863
Norm Jackson	210,300	718,532	178,000	3,236,364	2,442,547
John Rosenberg	194,800	668,788	175,000	3,181,818	**4,446,686

\* Assumes 10-year payout  
 \*\* This amount increased due to change in insurance classification from smoker to non-smoker



As you will recall, the amounts for each individual were shared with you. Those amounts were based on a 10-year projected payout and were to be after-tax amounts (column "C"). Column "D" reflects the original amounts (column "C") grossed up for tax purposes and multiplied by ten. Column "D" is the current payment under the completed plan.

We feel that the completed program achieves the objectives which were originally outlined to you in January. As a point of information, we have rolled David Wittig's May, 1995 agreement into this split dollar arrangement which pays him \$5.37 million if he stays through May of 1999 in order to allow him access to that money under the terms of this agreement.

If you have any questions about this matter, please feel free to contact me.

Sincerely,

cc: Mr. John H. Robinson  
enclosures

WHR005841

(COLUMN A)

(COLUMN B)

As you will recall, the amounts for each individual were shared with you. Those amounts were based on a 10-year projected payout and were to be after-tax amounts. ~~The revised numbers are added to the original chart. Since, under the revised structure, the amounts are subject to ordinary income tax, I have enclosed a revised chart reflecting those numbers on an after-tax basis.~~

~~Although the structure of the split-dollar plan has been revised, we feel that it achieves the objectives which were originally outlined to you.~~

in January

If you have any questions about this matter, please feel free to contact me.

Sincerely,

the completed program

cc: Mr. John H. Robinson  
enclosures

COLUMN D ~~THE~~ <sup>reflects</sup> THE ORIGINAL AMOUNTS (COLUMN C) GROSSED UP FOR TAX PURPOSES AND MULTIPLIED BY TEN. COLUMN D IS THE CURRENT PAYMENT UNDER THE COMPLETED PLAN.

AS A POINT OF INFORMATION WE HAVE ROLLED DAVID WITTE'S ~~split-dollar plan~~ <sup>agreement into this split-dollar arrangement</sup> MAY 1995 ~~INSURANCE PROGRAM WHICH PAYS HIM \$5.37 million~~ IF HE STAYS THROUGH MAY OF 1999 ~~FOR~~ <sup>IN ORDER TO ALLOW HIM ACCESS TO</sup> ~~TO~~ <sup>THAT MONEY NEXT YEAR UNDER THE TERMS OF THE AGREEMENT</sup>

UNCLASIFIED 05-26-98

Current  
A

B

C

D

E

Current

Name	Base Salary	1997 Short-term Entitlement	Program* Payout to Executive	Total 10-Year Payout Pre-Tax	Total Payment Under Plan
John Hayes	562,650	2,117,421	927,000	16,854,545	17,046,465
David Wittig	514,250	1,932,191	1,073,000	19,509,041	18,684,233
Steve Kitchen	327,300	1,129,087	637,000	11,581,313	8,687,126
Carl Koupal	213,000	734,786	502,000	9,127,273	6,079,863
Norm Jackson	210,300	718,532	178,000	3,236,364	2,442,547
John Rosenberg	194,800	668,768	175,000	3,181,818	4,446,686

Assumes 10-year payout  
This amount increased due to change  
in insurance classification from smoker to non-smoker



June 25, 1998

Mr. Frank J. Becker  
Mr. John C. Dicus  
Mr. David H. Hughes

Gentlemen:

As you will recall, at the January Board meeting a proposal was adopted to address the payments to employees under the short-term incentive program. A part of that proposal included the purchase of a split dollar insurance plan for members of the Executive Council of the company.

The details of that program have now been finalized and I wanted to report to you on the final structure of the program. The following outlines the features of the program:

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- The executive has executed an agreement with the company which allows the individual to transfer the death benefit to the company at a discount equal to \$1 for each \$1.50 of the death benefit subject to an adjustment based on the total return to shareowners.
- At the death of the executive, Western Resources will receive a tax free death benefit equal to at least the premium made and all amounts paid by the company to purchase any death benefits.
- The value of the premium paid by the company will be reported as "other compensation" in the proxy statement.

The disclosure language has changed slightly from that shared with you in January. I am enclosing a copy of the new language black lined to show the changes.

WHR005845

As you will recall, the amounts for each individual were shared with you. Those amounts were based on a 10-year projected payout and were to be after-tax amounts. The revised numbers are added to the original chart. Since, under the revised structure, the amounts are subject to ordinary income tax, I have enclosed a revised chart reflecting those numbers on an after-tax basis.

Although the structure of the split dollar plan has been revised, we feel that it achieves the objectives which were originally outlined to you.

If you have any questions about this matter, please feel free to contact me.

Sincerely,

cc: Mr. John H. Robinson  
enclosures

WHR005846

Name	Base Salary	1997 Short-term Entitlement	Program* Payout to Executive	Total 10-Year Payout Pre-Tax	Total Payment Under Plan
John Hayes	562,650	2,117,421	927,000	16,854,545	17,046,465
David Wittig	514,250	1,932,191	1,073,000	19,509,041	18,684,233
Steve Kitchen	327,300	1,129,087	637,000	11,581,313	8,687,126
Carl Koupal	213,000	734,786	502,000	9,127,273	6,079,863
Norm Jackson	210,300	718,532	178,000	3,236,364	2,442,547
John Rosenberg	194,800	668,788	175,000	3,181,818	**4,446,686

.. Assumes 10-year payout  
This amount increased due to change  
in insurance classification from smoker to non-smoker



CW1 - FYI 575-1563

0.1

~~575-1563~~  
225

Name	Base Salary	1997 Short-term Entitlement	Program* Payroll to Executive	Revised Program Pre-Tax	Revised Program After Tax
John Hayes	562,650	2,117,421	927,000	1,709,646	940,305
David Wittig	514,250	1,932,191	1,073,000	1,868,928	1,027,910
Steve Klichen	327,300	1,129,087	637,000	868,712	477,792
Carl Kaupal	213,000	734,786	502,000	697,986	334,392
Norm Jackson	210,300	718,532	178,000	244,254	134,340
John Rosenberg	194,800	668,788	175,000	444,668	244,567

Assumes 18-year payout  
Assumes 45% tax rate  
This amount increased due to change  
in insurance classification from smoker to non-smoker

Total 10 year

Payroll  
Pre-Tax

16,854,545
19,509,091
11,581,918
9,127,273
3,286,367
3,187,918

Payroll  
After Tax

17,096,445
10,684,283
8,687,126
6,079,863
2,442,547
4,446,685

Western  
Resources

Name	Base Salary	1997 Short-term Entitlement	Program* Payout to Executive	Revised Program Pre-Tax	Revised Program After Tax**
John Hayes	562,650	2,117,421	927,000	1,709,646	940,305
David Wittig	514,250	1,932,191	1,073,000	1,868,928	1,027,910
Steve Kitchen	327,300	1,129,087	637,000	868,712	477,792
Carl Koupal	213,000	734,786	502,000	607,986	334,392
Norm Jackson	210,300	718,532	178,000	244,254	134,340
John Rosenberg	194,800	668,788	175,000	***444,668	***244,567

- Assumes 10-year payout
- Assumes 45% tax rate
- This amount increased due to change in insurance classification from smoker to non-smoker

