



DAVID C. WITTIG  
Chairman of the Board,  
President and Chief Executive Officer

November 6, 2001

John C. Nettels, Jr.  
Partner  
Morrison & Hecker, LLP

**REDACTED**

Dear John,

In June 1998, Western Resources entered into a split dollar life insurance policy with six members of senior management. The plan itself was approved in January 1998.

The plan rewarded management for the \$900+ million gain on the Company's ADT investment. The plan purchased a life insurance policy for each individual and allowed the individual the opportunity to sell that policy back to the Company for between \$0.50 and \$1.00 of the face amount of the policy. The cost of these policies were expensed in 1997 and have since been disclosed in each proxy and all other SEC filings since the plan was put in place.

Three individuals (Steve Kitchen, John Rosenberg, and Norm Jackson) retired immediately from the Company and received a payment of approximately \$0.67 for each \$1.00 of insurance. The Company now holds these policies and is the sole beneficiary.

John Hayes sold his policy back to the Company in March, 2000. He received \$0.50 for each \$1.00 of insurance. Carl Koupal and I have not sold our policies back to the Company, principally because the entire payment would be disclosed in the proxy's compensation table.

It should be noted that John Hayes contends he was not treated fairly. He probably received some bad tax advice, but the result was that he delayed his sale, which reduced his payment by \$6.4 million.

We have had discussions at board and human resources committee meetings about modifying the terms of the plan. First, to attempt to appease John, and second, to allow Carl and I to sell back smaller pieces of our policies back to the company over

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time in order to minimize the amount that appears in the compensation table. A number of suggestions have been made, including lending the value of the policies and eliminating the floating nature of the sale price for the policy. None of these ideas seemed appropriate. Loans against the policy create tax problems for both the company and the individual, and removing the floating nature of the policy eliminates the incentive it was designed to create...the higher the stock price, the more the policy is worth.

In the meantime, Carl has elected to depart and will cash in his policy. If he cashes in his policy during 2001, the payment to him is not tax deductible, costing Western \$1.8 million, and his payment appears in WR's 2002 proxy. Frank Becker and I have discussed this issue and are recommending that Carl receive his money in January 2002 (\$0.50 for \$1.00 of insurance), in exchange for retaining the upside (as a one-time "true-up" with the Company), reduced by the amount of money received, plus an interest charge of 7.38% on any money withdrawn. To put this into perspective, in order for there to be any additional payout, the stock would have to return over 14% compounded per year for seven years (a higher compound return would be required for an earlier payout). Given the likelihood that the present value of any additional payment is less than the \$1.8 million we will save, my recommendation is that we approve this change.

The Human Resources Committee will meet to discuss Carl's modifications (and make a recommendation to the full board). The Committee will also discuss modifying my agreement to let me withdraw money in small increments. My proposal is cash neutral to the company. I suggest we table any modifications to John Hayes' plan, pending the outcome of the Don Barry issue.

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be the initials 'E.A.' or similar, written in a cursive style.

~~Enclosure~~

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