

bcc: Larry Irick



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

March 4, 2002

To: Mr. Frank J. Becker  
Dr. Gene A. Budig  
Mr. John C. Dicus

Gentlemen:

I want to follow-up with you on two points raised at the compensation committee meeting. First, as it relates to my bonus for 2001. If we have an agreement to defer my bonus to 2003, that deferral must be disclosed. Therefore, I would propose that we simply table the discussion of my bonus until after the annual meeting with no understanding as to the bonus to be paid, the amount or the timing. In that way, the bonus will appear as zero, with a footnote stating it will be determined by the Board at a later date. You may choose to pay the bonus in late 2002 as the 2003 proxy will aggregate both the 2001 and 2002 bonuses (if one is earned in 2002).

As it relates to split dollar. I would propose we execute the same agreement Koupal executed in October. This allows for withdrawals from the split dollar, subject to an interest payback to the company. I would amend the agreement before the proxy is mailed, so we can disclose the arrangement in this year's proxy; but, I will not withdraw any money until after the annual meeting, so the disclosed amount that has been withdrawn is zero.

I have enclosed a memo from Cahill, Gordon that states their position on disclosure matters. If this is agreeable to you, please sign the enclosed Amendment to the Split Dollar Agreement and return it in the envelope provided to Larry Irick.

Sincerely,

A handwritten signature in dark ink, appearing to be "DW", written over a light blue horizontal line.

enclosures

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WS013350

MEMORANDUM TO MR. FRIEDMAN

February 20, 2002

Re: Western Resources  
Proxy Statement-Comp Table Disclosure

In response to David Wittig's e-mailed questions to you of February 19th, I have the following thoughts:

1. "Deferred" bonus disclosure. Instruction 1 to Item 402(b)(2)(iii)(A) of Regulation S-K states in relevant part that "Amounts deferred at the election of a named executive officer... shall be included in the salary column or bonus column, as appropriate, for the fiscal year in which earned." If the amount of salary or bonus earned in a given year is not calculable, that fact must be disclosed in the footnote and the amount must be disclosed in the subsequent year in the appropriate column of the table for the fiscal year in which earned. In light of this instruction, I believe the appropriate treatment of deferred bonus amounts, where the deferral is agreed to by David, would be to include the amount, if calculable, in column (d) of the compensation table in the 2002 Proxy Statement.

2. "Drawings" on split dollar insurance arrangement. It is assumed that what is meant by "drawing" on the split dollar arrangement is the exercise of the option to assign the death benefits under the split dollar insurance contract to the Company for a cash payment in accordance with the formula which provides for the payment of \$1 for each \$1.50 of death benefit assigned, subject to certain adjustments. Disclosure of this contract provision was first made in the May 1999 Proxy Statement when these agreements were put in place.

It is noted that this assignment feature of the Western Resources split dollar program is unique so there is no precedent on point, other than that the Company's own disclosures, to look to for comparison purposes. Similarly, the assignment feature does not fit neatly into the Regulation S-K compensation disclosure instructions. It is therefore recom-

mended that in preparing its 2002 Proxy Statement, the Company follow the pattern it used in its 1999 Proxy Statement.

Specifically, what was done in 1999 was to include in the "Other Annual Compensation" column of the compensation table, column (e), the imputed income attributable to the life insurance protection provided under the split dollar program. A footnote to column (e) disclosed the income amounts attributed to each named executive.

In addition, disclosure was made in the section of the Proxy Statement which described the split-dollar program of the aggregate dollar amount which the Company was then committed to pay in the event that all participants in the program exercised their rights to assign death benefits to the Company. Further, because Steve Kitchen had exercised such right in January 1999, the dollar amount paid to him by the Company, as well as the dollar amount of the death benefits he assigned, were disclosed in the split dollar program discussion. It should be noted that because Mr. Kitchen left the Company, there was no need to consider the issue in the following year as to whether the amount paid to him in January 1999 would have been required to have been included in the compensation table in the following year's Proxy Statement.

In the present case, if a payment is made to David pursuant to his assignment of death benefits to the Company in 2002, the Company has a position that such amount need not be included in the compensation table for 2001, there having been no assignment of rights triggering a payment in 2001. Following the 1999 Proxy Statement's approach, the amount paid and the amount of the death benefit assigned should, however, be disclosed in the split dollar program section. Furthermore, if a payment is made this year, it seems to us that it should be included in the "Other Annual Compensation" column of the compensation table in next year's proxy statement (in addition to the textual disclosure made in this year's Proxy Statement), perhaps with a footnote indicating that this amount had previously been disclosed. It is noted in this regard, that as disclosed at page 22 of the 1999 Proxy Statement, amounts payable upon the assignment of death benefits pursuant to the split dollar program are treated as ordinary compensation income for federal income tax purposes.