

**Form 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2003**

or

TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

<b>Commission File Number</b>	<b>Registrant, State of Incorporation, Address and Telephone Number</b>	<b>I.R.S. Employer Identification Number</b>
0-33207	GREAT PLAINS ENERGY INCORPORATED (A Missouri Corporation) 1201 Walnut Street Kansas City, Missouri 64106 (816) 556-2200 www.greatplainsenergy.com	43-1916803
1-707	KANSAS CITY POWER & LIGHT COMPANY (A Missouri Corporation) 1201 Walnut Street Kansas City, Missouri 64106 (816) 556-2200 www.kcpl.com	44-0308720

**Each of the following classes or series of securities registered pursuant to Section 12(b) of the Act is registered on the New York Stock Exchange:**

<b>Registrant</b>	<b>Title of each class</b>	
Great Plains Energy Incorporated	Cumulative Preferred Stock par value \$100 per share	3.80%
	Cumulative Preferred Stock par value \$100 per share	4.50%
	Cumulative Preferred Stock par value \$100 per share	4.35%
	Common Stock without par value	

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicated by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Great Plains Energy Incorporated Yes  No  Kansas City Power & Light Company Yes  No

The number of shares outstanding of Great Plains Energy's Common stock at May 7, 2003, was 69,189,049 shares.

Great Plains Energy Incorporated and Kansas City Power & Light Company separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to an individual registrant and its subsidiaries is filed by such registrant on its own behalf. Each registrant makes representations only as to information relating to itself and its subsidiaries.

The terms "Great Plains Energy", "Company", "KCP&L", and "consolidated KCP&L" are used throughout this report. "Great Plains Energy" and the "Company" refer to Great Plains Energy Incorporated and its consolidated subsidiaries, unless otherwise indicated. "KCP&L" refers to Kansas City Power & Light Company, and "consolidated KCP&L" refers to KCP&L and its consolidated subsidiaries.

This report should be read in its entirety. No one section of the report deals with all aspects of the subject matter.

**CAUTIONARY STATEMENTS REGARDING CERTAIN FORWARD-LOOKING INFORMATION**

*Statements made in this report that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the registrants are providing a number of important factors that could cause actual results to differ materially from the provided forward-looking information. These important factors include:*

- o future economic conditions in the regional, national and international markets
- o market perception of the energy industry and the Company
- o changes in business strategy, operations or development plans
- o state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry and constraints placed on the Company's actions by the 35 Act
- o adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters including, but not limited to, air quality
- o financial market conditions including, but not limited to, changes in interest rates
- o ability to maintain current credit ratings
- o availability and cost of capital
- o inflation rates
- o effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments
- o impact of terrorist acts
- o increased competition including, but not limited to, retail choice in the electric utility industry and the entry of new competitors
- o ability to carry out marketing and sales plans
- o weather conditions including weather-related damage
- o cost and availability of fuel
- o ability to achieve generation planning goals and the occurrence of unplanned generation outages
- o delays in the anticipated in-service dates of additional generating capacity
- o nuclear operations
- o ability to enter new markets successfully and capitalize on growth opportunities in non-regulated businesses
- o performance of projects undertaken by our non-regulated businesses and the success of efforts to invest in and develop new opportunities, and
- o other risks and uncertainties.

This list of factors is not all-inclusive because it is not possible to predict all factors.

## GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report:

<b>Abbreviation or Acronym</b>	<b>Definition</b>
35 Act	Public Utility Holding Company Act of 1935
ARB	Accounting Research Bulletin
CO <sub>2</sub>	Carbon Dioxide
COLI	Corporate Owned Life Insurance
Clean Air Act	Clean Air Act Amendments of 1990
Compact	Central Interstate Low-Level Radioactive Waste Compact
Company	Great Plains Energy Incorporated
Consolidated KCP&L	KCP&L and its subsidiary HSS
DTI	DTI Holdings, Inc. and its subsidiaries Digital Teleport, Inc. and Digital Teleport of Virginia, Inc.
Digital Teleport	Digital Teleport, Inc.
EIRR	Environmental Improvement Revenue Refunding
EPA	Environmental Protection Agency
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GPP	Great Plains Power Incorporated, a wholly-owned subsidiary of Great Plains Energy
Great Plains Energy	Great Plains Energy Incorporated
HSS	Home Service Solutions Inc., a wholly-owned subsidiary of KCP&L
Holdings	DTI Holdings, Inc.
IEC	Innovative Energy Consultants Inc., a wholly-owned subsidiary of Great Plains Energy
IRS	Internal Revenue Service
ISO	Independent Service Operator
KCC	The State Corporation Commission of the State of Kansas
KCP&L	Kansas City Power & Light Company, a wholly-owned subsidiary of Great Plains Energy
KLT Gas	KLT Gas Inc., a wholly-owned subsidiary of KLT Inc.
KLT Energy Services	KLT Energy Services Inc., a wholly-owned subsidiary of KLT Inc.
KLT Inc.	KLT Inc., a wholly-owned subsidiary of Great Plains Energy
KLT Investments	KLT Investments Inc., a wholly-owned subsidiary of KLT Inc.
KLT Telecom	KLT Telecom Inc., a wholly-owned subsidiary of KLT Inc.
MAC	Material Adverse Change
MACT	Maximum Achievable Control Technology
MISO	Midwest Independent System Operator
MPSC	Missouri Public Service Commission
MWh	Megawatt hour

NEIL	Nuclear Electric Insurance Limited
NOx	Nitrogen Oxide
NRC	Nuclear Regulatory Commission
OCI	Other Comprehensive Income
RSAE	R.S. Andrews Enterprises, Inc., a subsidiary of HSS
RTO	Regional Transmission Organization

3

**Abbreviation or Acronym**

**Definition**

Receivables Company	Kansas City Power & Light Receivables Company
SEC	Securities and Exchange Commission
SPP	Southwest Power Pool, Inc.
SFAS	Statement of Financial Accounting Standards
Strategic Energy	Strategic Energy, L.L.C, a subsidiary of KLT Energy Services
WCNOC	Wolf Creek Nuclear Operating Corporation
Wolf Creek	Wolf Creek Nuclear Operating Station
Worry Free	Worry Free Service, Inc., a wholly-owned subsidiary of HSS

4

**PART I - FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements**

**GREAT PLAINS ENERGY**  
**Consolidated Balance Sheets**  
(Unaudited)

	March 31 2003	December 31 2002
	(thousands)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 105,805	\$ 65,302
Restricted cash	59,920	-
Receivables	174,450	200,972
Fuel inventories, at average cost	21,431	21,311
Materials and supplies, at average cost	51,056	50,800
Deferred income taxes	4,326	3,233
Other	19,142	19,543
Total	436,130	361,161
Nonutility Property and Investments		
Affordable housing limited partnerships	65,463	68,644
Gas property and investments	40,143	45,419
Nuclear decommissioning trust fund	63,514	63,283
Other	58,552	63,964
Total	227,672	241,310
Utility Plant, at Original Cost		
Electric	4,476,836	4,428,433
Less-accumulated depreciation	1,935,840	1,885,389
Net utility plant in service	2,540,996	2,543,044
Construction work in progress	47,041	39,519
Nuclear fuel, net of amortization of \$125,411 and \$121,951	20,529	21,506
Total	2,608,566	2,604,069
Deferred Charges		
Regulatory assets	147,130	128,901
Prepaid pension costs	83,766	85,945
Goodwill	46,056	46,058
Other deferred charges	39,774	39,295
Total	316,726	300,199
Total	\$ 3,589,094	\$ 3,506,739

**LIABILITIES AND CAPITALIZATION**
**Current Liabilities**

Notes payable	\$ 149,600	\$ 44,679
Current maturities of long-term debt	30,088	134,092
EIRR bonds classified as current	81,000	81,000
Accounts payable	168,673	175,547
Accrued taxes	31,175	29,257
Accrued interest	13,125	16,407
Accrued payroll and vacations	21,553	28,000
Accrued refueling outage costs	11,093	8,292
Supplier collateral	59,920	-
Other	39,370	32,816

Total	605,597	550,090
-------	---------	---------

**Deferred Credits and Other Liabilities**

Deferred income taxes	589,622	593,169
Deferred investment tax credits	40,567	41,565
Asset retirement obligation	102,057	-
Accrued nuclear decommissioning costs	-	64,584
Pension liability	76,350	73,251
Other	82,746	81,275

Total	891,342	853,844
-------	---------	---------

Capitalization (see statements)	2,092,155	2,102,805
---------------------------------	-----------	-----------

**Commitments and Contingencies (Note 6)**

Total	\$ 3,589,094	\$ 3,506,739
-------	--------------	--------------

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

5

**GREAT PLAINS ENERGY**  
**Consolidated Statements of Capitalization**  
(Unaudited)

<b>March 31</b>	December 31
<b>2003</b>	2002

(thousands)

**Long-term Debt (excluding current maturities)**

<b>General Mortgage Bonds</b>		
Medium-Term Notes due 2004-07, 7.55%*** weighted-average rate	\$ 55,000	\$ 55,000
2.29%* and 2.48%** EIRR bonds due 2012-23	158,768	158,768
EIRR bonds classified as current liabilities	(31,000)	(31,000)
<b>Senior Notes</b>		
7.125% due 2005	250,000	250,000
6.500% due 2011	150,000	150,000
6.000% due 2007	225,000	225,000
Unamortized discount	(859)	(915)
<b>EIRR bonds</b>		
2.32%* and 2.41%** Series A & B due 2015	109,967	109,607
2.32%* and 2.41%** Series D due 2017	41,344	41,183
4.50%*** Series C due 2017	50,000	50,000
EIRR bonds classified as current liabilities	(50,000)	(50,000)
<b>Subsidiary Obligations</b>		
R.S. Andrews Enterprises, Inc. long-term debt 5.65%* and 5.70%** weighted-average rate due 2004-16	5,957	6,128
Affordable Housing Notes 7.84%*** weighted-average rate due 2004-08	10,564	10,564
Total	974,741	974,335

Company-obligated Mandatorily Redeemable Preferred Securities of a trust holding solely KCP&L Subordinated Debentures	150,000	150,000
--	---------	---------

**Cumulative Preferred Stock**

\$100 Par Value		
3.80% - 100,000 shares issued	10,000	10,000

4.50% - 100,000 shares issued	10,000	10,000
4.20% - 70,000 shares issued	7,000	7,000
4.35% - 120,000 shares issued	12,000	12,000
	<hr/>	<hr/>
Total	39,000	39,000

#### Common Stock Equity

Common stock-150,000,000 shares authorized without par value		
69,196,322 shares issued, stated value	609,497	609,497
Capital stock premium and expense	(7,592)	(7,744)
Retained earnings (see statements)	349,010	363,579
Treasury stock	(173)	(4)
Accumulated other comprehensive income (loss)		
Gain on derivative hedging instruments	4,497	927
Minimum pension obligation	(26,825)	(26,785)
	<hr/>	<hr/>
Total	928,414	939,470

Total	\$ 2,092,155	\$ 2,102,805
-------	--------------	--------------

\* Weighted-average rate as of March 31, 2003

\*\* Weighted-average rate as of December 31, 2002

\*\*\* Weighted-average rate as of March 31, 2003 and December 31, 2002

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

6

**GREAT PLAINS ENERGY**  
**Consolidated Statements of Income**  
(Unaudited)

Three months ended March 31	2003	2002
	(thousands)	
Operating Revenues		
Electric revenues - KCP&L	\$ 234,392	\$ 198,909
Electric revenues - Strategic Energy	228,952	146,014
Other revenues	13,321	13,883
	<hr/>	<hr/>
Total	476,665	358,806
Operating Expenses		
Fuel	37,394	34,007
Purchased power - KCP&L	16,073	10,931
Purchased power - Strategic Energy	199,943	124,992
Other	82,624	78,056
Maintenance	23,090	34,934
Depreciation and depletion	36,046	37,431
General taxes	24,938	23,161
Loss on property	8,985	41
	<hr/>	<hr/>
Total	429,093	343,553
Operating income	47,572	15,253
Loss from equity investments	(293)	(316)
Minority interest in subsidiaries	(2,254)	(2,437)
Non-operating income	1,320	1,217
Non-operating expenses	(4,805)	(8,382)
Interest charges	19,889	20,798
Income (loss) before income taxes and cumulative effect of a change in accounting principle	21,651	(15,463)
Income taxes	7,096	(12,566)
Income (loss) before cumulative effect of a change in accounting principle	14,555	(2,897)
Cumulative effect to January 1, 2002, of a change in accounting principle	-	(3,000)
Net income (loss)	14,555	(5,897)
Preferred stock dividend requirements	411	412
Earnings (loss) available for common stock	\$ 14,144	\$ (6,309)

Average number of common shares outstanding	69,190	61,884
Basic and diluted earnings (loss) per common share before cumulative effect of a change in accounting principle	\$ 0.20	\$ (0.05)
Cumulative effect to January 1, 2002, of a change in accounting principle	-	(0.05)
Basic and diluted earnings (loss) per common share	\$ 0.20	\$ (0.10)
Cash dividends per common share	\$ 0.415	\$ 0.415

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

7

**GREAT PLAINS ENERGY**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

Three months ended March 31	2003	2002
	(thousands)	
Cash Flows from Operating Activities		
Net income (loss)	\$ 14,555	\$ (5,897)
Adjustments to reconcile income (loss) to net cash from operating activities:		
Cumulative effect of a change in accounting principle	-	3,000
Depreciation and depletion	36,046	37,431
Amortization of:		
Nuclear fuel	3,460	3,756
Other	2,964	2,251
Deferred income taxes (net)	(7,299)	10,451
Investment tax credit amortization	(998)	(1,046)
Loss from equity investments	293	316
Loss on property	8,985	41
Allowance for equity funds used during construction	(340)	12
Deferred storm costs	-	(18,114)
Minority interest	2,254	2,437
Other operating activities (Note 3)	36,414	5,307
Net cash from operating activities	96,334	39,945
Cash Flows from Investing Activities		
Utility capital expenditures	(29,303)	(36,678)
Allowance for borrowed funds used during construction	(365)	(270)
Purchases of investments	(855)	(2,435)
Purchases of nonutility property	(3,401)	(5,080)
Proceeds from sale of assets	2,818	296
Hawthorn No. 5 partial insurance recovery	3,940	-
Other investing activities	1,876	(5,440)
Net cash from investing activities	(25,290)	(49,607)
Cash Flows from Financing Activities		
Issuance of long-term debt	-	224,730
Repayment of long-term debt	(104,175)	(200,000)
Net change in short-term borrowings	104,921	7,423
Dividends paid	(29,124)	(26,089)
Other financing activities	(2,163)	(1,983)
Net cash from financing activities	(30,541)	4,081
Net Change in Cash and Cash Equivalents	40,503	(5,581)
Cash and Cash Equivalents at Beginning of Year	65,302	29,034
Cash and Cash Equivalents at End of Period	\$ 105,805	\$ 23,453

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

8

**GREAT PLAINS ENERGY**  
**Consolidated Statements of Comprehensive Income**

(Unaudited)

Three months ended March 31	2003	2002
	(thousands)	
Net income (loss)	\$ 14,555	\$ (5,897)
Other comprehensive income :		
Gain on derivative hedging instruments	11,798	5,843
Income tax expense	(5,125)	(2,391)
Net gain on derivative hedging instruments	6,673	3,452
Change in minimum pension obligation	66	-
Income tax expense	(26)	-
Net change in minimum pension obligation	40	-
Reclassification to revenues and expenses, net of tax	(3,103)	1,440
Comprehensive Income (Loss)	\$ 18,165	\$ (1,005)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY**  
**Consolidated Statements of Retained Earnings**  
(Unaudited)

Three months ended March 31	2003	2002
	(thousands)	
Beginning Balance	\$ 363,579	\$ 344,815
Net income (loss)	14,555	(5,897)
Dividends Declared	378,134	338,918
Preferred stock - at required rates	411	412
Common stock	28,713	25,677
Ending Balance	\$ 349,010	\$ 312,829

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

9

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Balance Sheets**  
(Unaudited)

	March 31 2003	December 31 2002
	(thousands)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 16,364	\$ 179
Receivables	57,621	70,170
Fuel inventories, at average cost	21,431	21,311
Materials and supplies, at average cost	51,056	50,800
Deferred income taxes	4,326	3,233
Other	11,310	10,644
Total	162,108	156,337
Nonutility Property and Investments		
Nuclear decommissioning trust fund	63,514	63,283
Other	38,774	41,414
Total	102,288	104,697
Utility Plant, at Original Cost		

Electric	4,476,836	4,428,433
Less-accumulated depreciation	1,935,840	1,885,389
Net utility plant in service	2,540,996	2,543,044
Construction work in progress	47,041	39,519
Nuclear fuel, net of amortization of \$125,411 and \$121,951	20,529	21,506
Total	2,608,566	2,604,069
<hr/>		
Deferred Charges		
Regulatory assets	147,130	128,901
Prepaid pension costs	83,766	85,945
Goodwill	19,952	19,952
Other deferred charges	39,774	39,256
Total	290,622	274,054
<hr/>		
Total	\$ 3,163,584	\$ 3,139,157

#### LIABILITIES AND CAPITALIZATION

##### Current Liabilities

Notes payable	\$ 26,100	\$ 23,850
Current maturities of long-term debt	20,907	124,911
EIRR bonds classified as current	81,000	81,000
Accounts payable	66,629	77,618
Accrued taxes	69,551	65,455
Accrued interest	11,756	15,462
Accrued payroll and vacations	20,694	24,538
Accrued refueling outage costs	11,093	8,292
Other	12,758	12,630
Total	320,488	433,756

##### Deferred Credits and Other Liabilities

Deferred income taxes	614,289	615,967
Deferred investment tax credits	40,567	41,565
Asset retirement obligation	100,800	-
Accrued nuclear decommissioning costs	-	64,584
Pension liability	76,350	73,251
Other	52,226	51,230
Total	884,232	846,597

Capitalization (see statements)	1,958,864	1,858,804
---------------------------------	-----------	-----------

##### Commitments and Contingencies (Note 6)

Total	\$ 3,163,584	\$ 3,139,157
-------	--------------	--------------

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Capitalization**  
(Unaudited)

**March 31**                      December 31  
**2003**                                      2002

(thousands)

##### Long-term Debt (excluding current maturities)

###### General Mortgage Bonds

Medium-Term Notes due 2004-07, 7.55%*** weighted-average rate	\$ 55,000	\$ 55,000
2.29%* and 2.48%** EIRR bonds due 2012-23	158,768	158,768
EIRR bonds classified as current liabilities	(31,000)	(31,000)

###### Senior Notes

7.125% due 2005	250,000	250,000
6.500% due 2011	150,000	150,000
6.000% due 2007	225,000	225,000
Unamortized discount	(859)	(915)

EIRR bonds		
2.32%* and 2.41%** Series A & B due 2015	109,967	109,607
2.32%* and 2.41%** Series D due 2017	41,344	41,183
4.50%*** Series C due 2017	50,000	50,000
EIRR bonds classified as current liabilities	(50,000)	(50,000)
Subsidiary Obligations		
R.S. Andrews Enterprises, Inc. long-term debt		
5.65%* and 5.70%** weighted-average rate due 2004-16	5,957	6,128
Total	964,177	963,771
Company-obligated Mandatorily Redeemable Preferred Securities of a trust holding solely KCP&L Subordinated Debentures	150,000	150,000
Common Stock Equity		
Common stock-1,000 shares authorized without par value		
1 share issued, stated value	662,041	562,041
Retained earnings (see statements)	208,490	209,606
Accumulated other comprehensive income (loss)		
Gain on derivative hedging instruments	981	171
Minimum pension obligation	(26,825)	(26,785)
Total	844,687	745,033
Total	\$ 1,958,864	\$ 1,858,804

\* Weighted-average rate as of March 31, 2003

\*\* Weighted-average rate as of December 31, 2002

\*\*\* Weighted-average rate as of March 31, 2003 and December 31, 2002

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

11

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Income**  
(Unaudited)

Three months ended March 31	2003	2002
	(thousands)	
Operating Revenues		
Electric revenues	\$ 234,392	\$ 198,909
Other revenues	12,621	13,276
Total	247,013	212,185
Operating Expenses		
Fuel	37,394	34,007
Purchased power	16,073	10,931
Other	68,764	66,069
Maintenance	23,090	34,897
Depreciation and depletion	35,420	36,879
General taxes	24,245	22,823
Gain on property	(15)	(122)
Total	204,971	205,484
Operating income	42,042	6,701
Non-operating income	973	861
Non-operating expenses	(2,304)	(2,657)
Interest charges	18,237	19,412
Income (loss) before income taxes and cumulative effect of a change in accounting principle	22,474	(14,507)
Income taxes	10,590	(6,526)
Income (loss) before cumulative effect of a change in accounting principle	11,884	(7,981)
Cumulative effect to January 1, 2002, of a change in accounting principle	-	(3,000)
Net income (loss)	\$ 11,884	\$ (10,981)

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

<b>Three months ended March 31</b>	<b>2003</b>	<b>2002</b>
	(thousands)	
Cash Flows from Operating Activities		
Net income (loss)	\$ 11,884	\$ (10,981)
Adjustments to reconcile income (loss) to net cash from operating activities:		
Cumulative effect of a change in accounting principle	-	3,000
Depreciation and depletion	35,420	36,879
Amortization of:		
Nuclear fuel	3,460	3,756
Other	2,395	1,522
Deferred income taxes (net)	(3,263)	12,110
Investment tax credit amortization	(998)	(1,046)
Gain on property	(15)	(122)
Allowance for equity funds used during construction	(340)	12
Deferred storm costs	-	(18,114)
Other operating activities (Note 3)	7,906	13,292
Net cash from operating activities	56,449	40,308
Cash Flows from Investing Activities		
Utility capital expenditures	(29,303)	(36,678)
Allowance for borrowed funds used during construction	(365)	(270)
Purchases of investments	(855)	(855)
Purchases of nonutility property	(33)	(1,376)
Proceeds from sale of assets	97	-
Hawthorn No. 5 partial insurance recovery	3,940	-
Other investing activities	1,186	(6,329)
Net cash from investing activities	(25,333)	(45,508)
Cash Flows from Financing Activities		
Issuance of long-term debt	-	224,730
Repayment of long-term debt	(104,175)	(200,000)
Net change in short-term borrowings	2,250	(28,577)
Dividends paid to Great Plains Energy	(13,000)	(25,677)
Equity contribution from Great Plains Energy	100,000	36,000
Other financing activities	(6)	(1,411)
Net cash from financing activities	(14,931)	5,065
Net Change in Cash and Cash Equivalents	16,185	(135)
Cash and Cash Equivalents at Beginning of Year	179	962
Cash and Cash Equivalents at End of Period	\$ 16,364	\$ 827

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

<b>Three months ended March 31</b>	<b>2003</b>	<b>2002</b>
	(thousands)	
Net income (loss)	\$ 11,884	\$ (10,981)
Other comprehensive income :		
Gain on derivative hedging instruments	1,328	608
Income tax expense	(518)	(237)
Net gain on derivative hedging instruments	810	371

Change in minimum pension obligation	66	-
Income tax expense	(26)	-
Net change in minimum pension obligation	40	-
Reclassification to revenues and expenses, net of tax	-	37
Comprehensive Income (Loss)	\$ 12,734	\$ (10,573)

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Retained Earnings**  
(Unaudited)

Three months ended March 31	2003	2002
		(thousands)
Beginning Balance	\$ 209,606	\$ 219,524
Net income (loss)	11,884	(10,981)
Dividends Declared	221,490	208,543
Common stock held by Great Plains Energy	13,000	25,677
Ending Balance	\$ 208,490	\$ 182,866

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY INCORPORATED**  
**KANSAS CITY POWER & LIGHT COMPANY**  
**Notes to Consolidated Financial Statements**

In management's opinion, the consolidated interim financial statements reflect all adjustments (which, unless otherwise noted, include only normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. These statements and notes should be read in connection with the financial statements and related notes included in the combined 2002 annual report on Form 10-K, of Great Plains Energy and consolidated KCP&L.

The notes to consolidated financial statements that follow are a combined presentation for Great Plains Energy and consolidated KCP&L, both registrants under this filing.

**1. ORGANIZATION**

Great Plains Energy currently has four direct subsidiaries:

- o KCP&L is an integrated, regulated electric utility company that serves retail customers in the states of Missouri and Kansas. KCP&L is one of Great Plains Energy's three reportable segments. KCP&L has one wholly-owned subsidiary, Home Service Solutions Inc. (HSS). HSS has invested in two companies, R.S. Andrews Enterprises, Inc. (RSAE) and Worry Free Service, Inc. (Worry Free). RSAE and Worry Free provide energy-related residential and commercial services. KCP&L and its subsidiaries are referred to as consolidated KCP&L.
- o KLT Inc. is an investment company that primarily holds interests in Strategic Energy, L.L.C. (Strategic Energy), KLT Gas Inc. (KLT Gas), DTI and affordable housing limited partnerships. Strategic Energy and KLT Gas are the other two reportable segments of Great Plains Energy. DTI has filed voluntary bankruptcy petitions. See Note 7 for additional information concerning DTI's bankruptcy petitions.
- o Great Plains Power Incorporated (GPP) focuses on the development of wholesale generation. During 2002, management decided to limit the operations of GPP until market conditions improve or the Company makes further changes in its business strategy. GPP has made no significant investments to date.
- o Innovative Energy Consultants Inc. (IEC) holds an interest in Strategic Energy. IEC does not own or operate any assets other than its indirect interest in Strategic Energy.

The operations of Great Plains Energy and its subsidiaries are divided into three reportable segments: KCP&L, Strategic Energy and KLT Gas. Great Plains Energy's legal structure differs from the functional management and financial reporting of its reportable segments. Other activities not considered a reportable segment include the operations of HSS and GPP, all KLT Inc. operations other than Strategic Energy and KLT Gas and holding company operations.

**2. CASH**

### Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. For Great Plains Energy this includes Strategic Energy's cash held in trust of \$13.2 million at March 31, 2003, and \$11.4 million at December 31, 2002.

15

Strategic Energy has entered into collateral arrangements with selected electricity power suppliers that require selected customers to remit payment to lockboxes that are held in trust and managed by a Trustee. As part of the trust administration, the Trustee remits payment to the supplier for electricity purchased by Strategic Energy. On a monthly basis, any excess remittances into the lockboxes are remitted back to Strategic Energy after the disbursement to the supplier has been made.

### Restricted Cash

Strategic Energy has entered into Master Power Purchase and Sale Agreements with its purchased power suppliers. Certain of these agreements contain provisions whereby, to the extent Strategic Energy has a net exposure to the purchased power supplier, collateral requirements are to be maintained. Collateral posted in the form of cash to Strategic Energy is restricted by agreement and would become unrestricted in the event of a default by the purchased power supplier. Restricted cash collateral at March 31, 2003, was \$59.9 million. There were no such cash collateral deposits at December 31, 2002.

### 3. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31	
	2003	2002
	(thousands)	
<b>Great Plains Energy Other Operating Activities</b>		
Cash flows affected by changes in:		
Receivables	\$ 26,611	\$ (3,495)
Fuel inventories	(120)	(3,170)
Materials and supplies	(256)	(1,650)
Accounts payable	(6,874)	12,473
Accrued taxes and current income taxes	1,918	(6,259)
Accrued interest	(3,282)	5,768
Wolf Creek refueling outage accrual	2,801	(4,174)
Pension and postretirement benefit obligations	6,503	2,281
Other	9,113	3,533
Total other operating activities	\$ 36,414	\$ 5,307
Cash paid during the period:		
Interest	\$ 22,588	\$ 14,995
Income taxes	\$ 23,996	\$ -
<b>Consolidated KCP&amp;L Other Operating Activities</b>		
Cash flows affected by changes in:		
Receivables	\$ 12,637	\$ 13,027
Fuel inventories	(120)	(3,170)
Materials and supplies	(256)	(1,650)
Accounts payable	(10,989)	1,950
Accrued taxes and current income taxes	4,096	(5,306)
Accrued interest	(3,706)	5,389
Wolf Creek refueling outage accrual	2,801	(4,174)
Pension and postretirement benefit obligations	6,503	2,281
Other	(3,060)	4,945
Total other operating activities	\$ 7,906	\$ 13,292
Cash paid during the period:		
Interest	\$ 21,332	\$ 13,502
Income taxes	\$ 23,010	\$ -

16

KCP&L adopted Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations", on January 1, 2003, and recorded a liability for asset retirement obligations of \$99.2 million and increased property and equipment, net of accumulated depreciation, by \$18.3 million. KCP&L is a regulated utility subject to the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation", and management believes it is probable that any differences between expenses under SFAS No. 143 and expenses recovered currently in rates will be recoverable in future rates. As a result, the \$80.9 million cumulative effect of the adoption of SFAS No. 143 was recorded as a regulatory asset and therefore, had no impact on net income. The adoption of SFAS No. 143 had no effect on Great Plains Energy and consolidated KCP&L's cash flows for the three months ended March 31, 2003.

KLT Gas also adopted SFAS No. 143 and recorded a liability for asset retirement obligations of \$1.2 million, increased gas property and investments by \$1.0 million and increased operating expense by \$0.2 million for the immaterial cumulative effect of the accounting change.

### 4. RECEIVABLES

The Company's accounts receivables are comprised of the following:

	March 31 2003	December 31 2002
	(thousands)	
Customer accounts receivable sold to Receivables Company	\$ 9,865	\$ 19,168
KCP&L other receivables	47,756	51,002
Consolidated KCP&L receivables	57,621	70,170
Great Plains Energy other receivables	116,829	130,802
Great Plains Energy receivables	\$ 174,450	\$ 200,972

KCP&L has entered into a revolving agreement, which expires in October 2003, to sell all of its right, title and interest in the majority of its customer accounts receivable to Kansas City Power & Light Receivables Company (Receivables Company), which in turn sells most of the receivables to outside investors. KCP&L expects the agreement to be renewed annually. Accounts receivable sold under this revolving agreement totaled \$79.9 million at March 31, 2003, and \$89.2 million at December 31, 2002. These sales included unbilled receivables of \$22.4 million at March 31, 2003, and \$27.2 million at December 31, 2002. As a result of the sales to outside investors, Receivables Company received \$70 million in cash, which was forwarded to KCP&L as consideration for its sale. The agreement is structured as a true sale under which the creditors of Receivables Company are entitled to be satisfied out of the assets of Receivables Company prior to any value being returned to KCP&L or its creditors.

KCP&L sells its receivables at a fixed price based upon the expected cost of funds and charge-offs. These costs comprise KCP&L's loss on the sale of accounts receivable. KCP&L services the receivables and receives an annual servicing fee of 0.25% of the outstanding principal amount of the receivables sold and retains any late fees charged to customers.

17

Information regarding KCP&L's sale of accounts receivable is reflected in the following table.

	Three Months Ended March 31	
	2003	2002
	(thousands)	
Gross proceeds on sale of accounts receivable	\$ 196,529	\$ 192,578
Collections	206,994	207,242
Loss on sale of accounts receivable	841	1,102
Late fees	516	654

KCP&L other receivables at March 31, 2003, and December 31, 2002, consist primarily of receivables from partners in jointly-owned electric utility plants, wholesale sales receivables and accounts receivable held by RSAE and Worry Free. Great Plains Energy other receivables at March 31, 2003, and December 31, 2002, are primarily the accounts receivable held by Strategic Energy including unbilled revenues held by Strategic Energy of \$54.0 million at March 31, 2003, and \$57.3 million at December 31, 2002.

## 5. CAPITALIZATION

Great Plains Energy syndicated a \$225 million, revolving credit facility with a group of banks in the first quarter of 2003. This facility replaced a \$205 million syndicated facility and a \$20 million credit facility with a bank. The line has a 364-day term but may be extended for an additional year at the Company's option. The facility contains a material adverse change (MAC) clause that requires Great Plains Energy to represent, prior to receiving funding, that no MAC has occurred. The clause does, however, permit the Company to access the facility even in the event of a MAC in order to redeem maturing commercial paper. Available liquidity under this facility is not impacted by a decline in credit ratings unless the downgrade occurs in the context of a merger, consolidation or sale. A default by Great Plains Energy or any of its significant subsidiaries of material other indebtedness totaling more than \$25.0 million is also a default under this bank line. Under the terms of this agreement, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio not greater than 0.65 to 1.0 at all times and an interest coverage ratio greater than 2.25 to 1.0. At March 31, 2003, the Company was in compliance with these covenants. At March 31, 2003, Great Plains Energy had \$126.0 million of outstanding borrowings under this facility with a weighted-average interest rate of 2.27%.

KCP&L's short-term borrowings consist of funds borrowed from banks or through the sale of commercial paper as needed. As of March 31, 2003, there was no commercial paper outstanding. A default by KCP&L on other indebtedness is a default under these bank line agreements. Under the terms of certain bank line agreements, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio not greater than 0.65 to 1.0 at all times.

During the first quarter of 2003, KCP&L redeemed \$104.0 million of its medium term notes. The medium term notes were paid off primarily with proceeds from a \$100.0 million equity contribution received from Great Plains Energy during the first quarter of 2003. The average interest rate on the notes was 7.28% and the original maturity dates were 2005 through 2008.

During the first quarter of 2003, RSAE extended the termination date of its \$25 million line of credit to March 14, 2004. At March 31, 2003, RSAE had \$23.6 million of outstanding borrowings under the facility at an average interest rate of 4.75% and had issued letters of credit utilizing the remainder. In early May 2003, the facility was increased to \$27 million.

18

KCP&L Financing I (Trust) has previously issued \$150.0 million of 8.3% preferred securities. The sole asset of the Trust is the \$154.6 million principal amount of 8.3% Junior Subordinated Deferrable Interest Debentures, due 2037, issued by KCP&L.

## 6. COMMITMENTS AND CONTINGENCIES

## **Nuclear Liability and Insurance**

### **Liability Insurance**

The Price-Anderson Act currently limits the combined public liability of nuclear reactor owners to \$9.4 billion for claims that could arise from a single nuclear incident. The owners of Wolf Creek, a nuclear generating station, (the Owners) carry the maximum available commercial insurance of \$0.2 billion. Secondary Financial Protection, an assessment plan mandated by the Nuclear Regulatory Commission (NRC), provides insurance for the \$9.2 billion balance.

Under Secondary Financial Protection, if there were a catastrophic nuclear incident involving any of the nation's licensed reactors, the Owners would be subject to a maximum retrospective assessment per incident of up to \$88 million (\$41 million, KCP&L's 47% share). The Owners are jointly and severally liable for these charges, payable at a rate not to exceed \$10 million (\$5 million, KCP&L's 47% share) per incident per year, excluding applicable premium taxes. The assessment, most recently revised in 1998, is subject to an inflation adjustment based on the Consumer Price Index and renewal of the Price-Anderson Act by Congress.

### **Property, Decontamination, Premature Decommissioning and Extra Expense Insurance**

The Owners also carry \$2.8 billion (\$1.3 billion, KCP&L's 47% share) of property damage, decontamination and premature decommissioning insurance for loss resulting from damage to the Wolf Creek facilities. Nuclear Electric Insurance Limited (NEIL) provides this insurance.

In the event of an accident, insurance proceeds must first be used for reactor stabilization and NRC mandated site decontamination. KCP&L's share of any remaining proceeds can be used for further decontamination, property damage restoration and premature decommissioning costs. Premature decommissioning coverage applies only if an accident at Wolf Creek exceeds \$500 million in property damage and decontamination expenses, and only after trust funds have been exhausted.

The Owners also carry additional insurance from NEIL to cover costs of replacement power and other extra expenses incurred in the event of a prolonged outage resulting from accidental property damage at Wolf Creek.

Under all NEIL policies, KCP&L is subject to retrospective assessments if NEIL losses, for each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum amount of retrospective assessments to KCP&L under the current policies could total about \$24.5 million.

In the event of a catastrophic loss at Wolf Creek, the insurance coverage may not be adequate to cover property damage and extra expenses incurred. Uninsured losses, to the extent not recovered through rates, would be assumed by KCP&L and could have a material, adverse effect on its financial condition, results of operations and cash flows.

### **Low-Level Waste**

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central

Interstate Low-Level Radioactive Waste Compact (Compact) and selected a site in northern Nebraska to locate a disposal facility. Wolf Creek Nuclear Operating Corporation (WCNOC) and the owners of the other five nuclear units in the Compact provided most of the pre-construction financing for this project. KCP&L's net investment in the Compact was \$7.4 million at March 31, 2003, and December 31, 2002.

Significant opposition to the project has been raised by Nebraska officials and residents in the area of the proposed facility and attempts have been made through litigation and proposed legislation in Nebraska to slow down or stop development of the facility. On December 18, 1998, the application for a license to construct this project was denied. After the license denial, WCNOC and others filed a lawsuit in federal court contending Nebraska officials acted in bad faith while handling the license application. In September 2002, the U.S. District Court Judge presiding over the Central Interstate Compact Commission's federal "bad faith" lawsuit against the State of Nebraska issued his decision in the case finding clear evidence that the State of Nebraska acted in bad faith in processing the license application for a low-level radioactive waste disposal site in Nebraska and rendered a judgment in the amount of \$151.4 million against the state. The state has appealed this decision to the 8<sup>th</sup> Circuit, U.S. Court of Appeals. Based on the favorable outcome of this trial, in KCP&L's opinion, there is a greater possibility of reversing the state's license denial once the decision in this case is final.

In May 1999, the Nebraska legislature passed a bill withdrawing Nebraska from the Compact. In August 1999, the Nebraska Governor gave official notice of the withdrawal to the other member states. Withdrawal will not be effective for five years and will not, of itself, nullify the site license proceeding.

### **Environmental Matters**

KCP&L's operations are subject to regulation by federal, state and local authorities with regard to air and other environmental matters. The generation and transmission of electricity produces and requires disposal of certain hazardous products which are subject to these laws and regulations. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. Failure to comply with these laws and regulations could have a material adverse effect on KCP&L.

KCP&L operates in an environmentally responsible manner and seeks to use current technology to avoid and treat contamination. KCP&L regularly conducts environmental audits designed to ensure compliance with governmental regulations and to detect contamination. Governmental bodies, however, may impose additional or more restrictive environmental regulations that could require substantial changes to operations or facilities at a significant cost. At March 31, 2003, and December 31, 2002, KCP&L had \$1.9 million accrued for environmental remediation expenses covering water monitoring at one site and unasserted claims for remediation at a second site. The amounts accrued were established on an undiscounted basis and KCP&L does not currently have an estimated time frame over which the accrued amounts may be paid out. Expenditures to comply with environmental laws and regulations have not been material in amount during the periods presented and are not expected to be material in the upcoming years with the exception of the issues discussed below.

### **Certain Air Toxic Substances**

In July 2000, the National Research Council published its findings of a study under the Clean Air Act Amendments of 1990 (Clean Air Act), which stated that power plants that burn fossil fuels, particularly coal, generate the greatest amount of mercury emissions. As a result, in December 2000, the Environmental Protection Agency (EPA) announced it would propose Maximum Achievable Control Technology (MACT) requirements by December 2003 to reduce mercury emissions and issue final rules by December 2004. Until the rules are proposed, KCP&L cannot predict the likelihood or compliance costs of such regulations.

### ***Air Particulate Matter***

In July 1997, the EPA revised ozone and particulate matter air quality standards creating a new eight-hour ozone standard and establishing a new standard for particulate matter less than 2.5 microns (PM-2.5) in diameter. These standards were challenged in the U. S. Court of Appeals for the District of Columbia (Appeals Court) that decided against the EPA. Upon further appeal, the U. S. Supreme Court reviewed the standards and remanded the case back to the Appeals Court for further review, including a review of whether the standards were arbitrary and capricious. On March 26, 2002, the Appeals Court issued its decision on challenges to the 8-hour ozone and PM-2.5 national ambient air quality standards (NAAQS). This decision denies all state, industry and environmental groups petitions for review and thus upheld as valid the EPA's new 8-hour ozone and PM-2.5 NAAQS. In so doing, the court held that the EPA acted consistently with the Clean Air Act in setting the standards at the levels it chose and the EPA's actions were reasonable and not arbitrary and capricious, and cited the deference given the EPA's decision-making authority. The court stated that the extensive records established for each rule supported the EPA's actions in both rulemakings.

This decision by the Appeals Court removed the last major hurdle to the EPA's implementation of stricter ambient air quality standards for ozone and fine particles. The EPA has not yet issued regulations incorporating the new standards. Until new regulations are issued, KCP&L is unable to estimate the impact of the new standards. However, the impact on KCP&L and all other utilities that use fossil fuels could be substantial. In addition, the EPA is conducting a three-year study of fine particulate ambient air levels. Until this testing and review period has been completed, KCP&L cannot determine additional compliance costs, if any, associated with the new particulate regulations.

### ***Nitrogen Oxide***

The EPA announced in 1998 regulations implementing reductions in Nitrogen Oxide (NO<sub>x</sub>) emissions. These regulations initially called for 22 states, including Missouri, to submit plans for controlling NO<sub>x</sub> emissions. The regulations require a significant reduction in NO<sub>x</sub> emissions from 1990 levels at KCP&L's Missouri coal-fired plants by the year 2003.

In December 1998, KCP&L and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in the NO<sub>x</sub> reduction program based on the 1-hour NO<sub>x</sub> standard. On March 3, 2000, a three-judge panel of the District of Columbia Circuit of the U.S. Court of Appeals sent the NO<sub>x</sub> rules related to Missouri back to the EPA, stating the EPA failed to prove that fossil plants in the western part of Missouri significantly contribute to ozone formation in downwind states. On March 5, 2001, the U.S. Supreme Court denied certiorari, making the decision of the Court of Appeals final.

In February 2002, the EPA issued proposed Phase II NO<sub>x</sub> SIP Call regulation which specifically excludes the fossil plants in the western part of Missouri from the NO<sub>x</sub> SIP Call. To date, the EPA has not issued its final Phase II NO<sub>x</sub> SIP Call regulation.

If fossil plants in western Missouri are required to implement NO<sub>x</sub> reductions, KCP&L would need to incur significant capital costs, purchase power or purchase NO<sub>x</sub> emission allowances. Preliminary analysis of the regulations indicates that selective catalytic reduction technology, as well as other changes, may be required for some of the KCP&L units. Currently, KCP&L estimates that additional capital expenditures to comply with these regulations could range from \$40 million to \$60 million. Operations and maintenance expenses could also increase by more than \$2.5 million per year. KCP&L continues to refine these preliminary estimates and explore alternatives. The ultimate cost of these regulations, if any, could be significantly different from the amounts estimated above.

### ***Carbon Dioxide***

At a December 1997 meeting in Kyoto, Japan, delegates from 167 nations, including the United States, agreed to a treaty (Kyoto Protocol) that would require a seven percent reduction in United States

carbon dioxide (CO<sub>2</sub>) emissions below 1990 levels. Although the United States agreed to the Kyoto Protocol, the treaty has not been sent to Congress for ratification. The financial impact on KCP&L of future requirements in the reduction of CO<sub>2</sub> emissions cannot be determined until specific regulations are adopted.

### ***Clean Air Legislation***

Congress has debated numerous bills that would make significant changes to the current federal Clean Air Act including potential establishment of nationwide limits on power plant emissions for several specific pollutants. These bills have the potential for a significant financial impact on KCP&L through the installation of new pollution control equipment to achieve compliance with the new nationwide limits. The financial consequences to KCP&L cannot be determined until the final legislation is passed. KCP&L will continue to monitor the progress of these bills.

### ***Proposed Water Use Regulations***

In February 2002, the EPA issued proposed rules related to certain existing power producing facilities that employ cooling water intake structures that withdraw 50 million gallons or more per day and use 25% or more of that water for cooling purposes. The proposed rules establish national minimum performance requirements designed to minimize adverse environmental impact. The EPA must take final action by August 2003. KCP&L will continue to monitor the progress of this rulemaking. The impact of these proposed rules has not yet been quantified, however, KCP&L's generating stations would be affected.

### ***Strategic Energy Purchased Power Energy Commitments***

Strategic Energy has entered into agreements to purchase electricity at various fixed prices to meet the estimated demand requirements of long-term sales agreements with its customers. Commitments at March 31, 2003, under these agreements total \$1,082.7 million through 2010. Commitments for the remainder of 2003 total \$418.9 million, and for the years 2004 through 2007 total \$343.0 million, \$248.0 million, \$52.5 million, and \$8.6 million, respectively. See Note 15 for further discussion.

### ***KCP&L Leases***

In 2001, KCP&L entered into a synthetic lease arrangement with a Trust (Lessor) to finance the purchase, installation, assembly and construction of five combustion turbines and related property and equipment that will add 385 MWs of peaking capacity (Project). The Trust is a special-purpose entity and has an aggregate financing commitment from third-party equity and debt participants of \$176 million. At March 31, 2003, cumulative project costs were approximately \$138.7 million. Upon a default during the lease period, KCP&L's maximum obligation to the Lessor equals 100% of project costs. KCP&L's rental obligation, which reflects interest payments only, is expected to be approximately \$27.6 million in the aggregate.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities". The Interpretation clarifies the application of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties (Variable Interest Entities). The Trust, acting as Lessor in the synthetic lease arrangement discussed above, is considered a Variable Interest Entity under the Interpretation. Because KCP&L has variable interests in the Trust, including among other things, a residual value

guarantee provided to the Lessor, KCP&L is the primary beneficiary of the Trust. Accordingly, KCP&L will be required to consolidate the Trust effective July 1, 2003. Great Plains Energy's and consolidated KCP&L's utility plant and long-term debt will increase by the total project cost upon consolidation of the Trust.

### **Internal Revenue Service Settlement – Corporate-Owned Life Insurance (COLI)**

In November 2002, KCP&L accepted a settlement offer related to COLI from the Internal Revenue Service (IRS). The offer allowed 20% of the interest originally deducted and taxed only 20% of the gain on surrender of the COLI policies. KCP&L surrendered the policies in February 2003. KCP&L will make cash payments to the IRS during 2003 of approximately \$1.3 million to satisfy the liability associated with the surrender. The remaining \$9.9 million related to the disallowed interest will be paid upon completion of the 1995 – 1998 IRS audit.

### **7. DTI HOLDINGS, INC. AND SUBSIDIARIES BANKRUPTCY UPDATE**

On December 31, 2001, a subsidiary of KLT Telecom Inc. (KLT Telecom), DTI Holdings, Inc. (Holdings) and its subsidiaries, Digital Teleport Inc. (Digital Teleport) and Digital Teleport of Virginia, Inc., filed separate voluntary petitions in the Bankruptcy Court for the Eastern District of Missouri for reorganization under Chapter 11 of the U.S. Bankruptcy Code, which cases have been procedurally consolidated. Holdings and its two subsidiaries are collectively called "DTI".

In December 2002, Digital Teleport entered into an agreement to sell substantially all of its assets (Asset Sale) to CenturyTel Fiber Company II, LLC (Century Tel), a nominee of CenturyTel, Inc. (Asset Purchase Agreement). The Asset Sale was approved by the Bankruptcy Court on February 13, 2003, but the Asset Purchase Agreement contains conditions to closing, which include among other items the receipt of all necessary regulatory approvals, which must either be satisfied or waived by July 15, 2003. The Asset Sale, if it is consummated, will produce \$38 million of gross sale proceeds, subject to certain closing adjustments, \$3.8 million of which will be escrowed (Escrow Funds). The Escrow Funds will be disbursed 180 days following the closing of the Asset Sale, subject to any reduction for the amount of claims by Century Tel for breaches of representations and warranties of Digital Teleport under the Asset Purchase Agreement. Assuming full release of the Escrow Funds, the proceeds of the Asset Sale together with Digital Teleport's cash on hand are expected to total approximately \$47 million (Anticipated Assets).

The Company believes that KLT Telecom has a valid and perfected security interest in virtually all of Digital Teleport's assets to secure repayment of approximately \$50 million (including accrued interest) of indebtedness which would entitle KLT Telecom to receive all of the Anticipated Assets, leaving no distribution to other creditors of Digital Teleport. The Bankruptcy Court, however, has not ruled on the validity of KLT Telecom's security interest in Digital Teleport's assets, and, absent the settlements described below, there is a possibility that the Bankruptcy Court would disallow this security interest or otherwise subordinate KLT Telecom's claims to other Digital Teleport creditors' claims. To expedite the Digital Teleport bankruptcy case process, including the resolution of creditors' claims and possible claims against the Company, KLT Telecom, KLT Inc., KCP&L, Great Plains Energy, Digital Teleport and the Official Unsecured Creditors Committee of Digital Teleport (Creditors Committee) entered into a Settlement Agreement as of December 23, 2002 (Teleport Settlement Agreement).

Under the Teleport Settlement Agreement, Digital Teleport, the Creditors Committee and three members of the Creditors Committee holding claims against Digital Teleport will release claims and possible causes of action against the Company and any other entity currently or previously a member of the Great Plains Energy or KCP&L consolidated tax group, and creditors receiving payments will be deemed to receive such payments in full satisfaction of their claims against Digital Teleport. In addition, the Teleport Settlement Agreement provides for the receipt by KLT Telecom of an assignment of claims of Digital Teleport, the Creditors Committee and the bankruptcy estate of Digital Teleport against any officer or director of Digital Teleport, or any other person or entity.

The Teleport Settlement Agreement does not purport to resolve (i) three priority proofs of claim by the Missouri Department of Revenue in the aggregate amount of \$2,848,446 (collectively, the MODOR

Claim); (ii) an unsecured proof of claim by Gary Douglass, the former Chief Financial Officer of DTI, in the amount of \$2,055,900 (Douglass Claim); or (iii) any claims by Holdings against KLT Telecom, KLT Inc., KCP&L and Great Plains Energy, or by creditors of Holdings, including the holders of \$265 million of Senior Discount Notes of Holdings as to which no proof of claim has been filed in the Digital Teleport bankruptcy proceeding. Digital Teleport has filed objections to the MODOR Claim and the Douglass Claim asserting that each claim should be disallowed in full. The Bankruptcy Court has conducted an evidentiary hearing regarding the MODOR Claim, but has not yet ruled on this matter. Digital Teleport has advised that MODOR conceded during the evidentiary hearing that MODOR would not contest the disallowance of approximately \$1.3 million of the MODOR Claim. The Bankruptcy Court has disallowed the Douglass claim. In lieu of an appeal or motion to reconsider the Bankruptcy Court's ruling regarding the Douglass Claim, Digital Teleport and Douglass have entered into a settlement agreement that would afford Douglass a \$15,000 general unsecured claim against Digital Teleport, which settlement has been scheduled for Bankruptcy Court consideration and approval on May 20, 2003.

The Teleport Settlement Agreement provides for a pro rata distribution from the Anticipated Assets ranging from 82.5% to 90% of the sum of (i) the non-priority unsecured claims of approximately \$10.3 million held by Digital Teleport's trade creditors, (ii) an amended claim of \$1 million by Union Electric Co. d/b/a Ameren UE, and (iii) the allowed, non-priority unsecured portions, if any, of the Douglass Claim and the MODOR Claim, with the exact percentage being determined by the extent to which the MODOR Claim and the Douglass Claim are resolved in the Digital Teleport bankruptcy proceeding and are not disallowed. After the payment of administrative, secured and priority claims (which claims, excluding the MODOR Claim, are estimated to total approximately \$3 million), the Teleport Settlement Agreement provides for the balance of the Anticipated Assets to be distributed to KLT Telecom, subject to the resolution of the MODOR Claim and the Douglass Claim, and subject, further, to a possible payment to the creditors of Holdings as described below.

In an objection to a motion by Digital Teleport for an extension of time in which to propose a Chapter 11 plan, the largest creditor of Holdings (Creditor) asserted that Holdings, Digital Teleport and their creditors have claims against KLT Telecom, KLT Inc., KCP&L and Great Plains Energy based on theories of breach of contract, fraudulent conveyance, recharacterization of debt, subordination and breach of fiduciary duty. Among other things, the Creditor asserted that certain tax benefits should have been paid to Holdings and Digital Teleport, rather than to KLT Telecom as provided in the October 1, 2001, Great Plains Energy tax allocation agreement. These claims are resolved by the Holdings Settlement Agreement discussed below, effective upon confirmation of the Chapter 11 Plan and closing of the Asset Sale. The Company believes that it has meritorious defenses to these claims.

On March 14, 2003, KLT Telecom, KLT Inc., Great Plains Energy, KCP&L, Holdings, The Bank of New York (as trustee of an Indenture, as amended, relating to the senior discount notes issued by Holdings) (Trustee), the Creditor and two other principal noteholders of Holdings (collectively, the Noteholders) entered into a Settlement Agreement and Plan Term Sheet (the Holdings Settlement Agreement).

Under the Holdings Settlement Agreement, KLT Telecom agreed to pay to the Holdings bankruptcy estate the sum of approximately \$13.8 million from the distribution that KLT Telecom will receive under the Teleport Settlement Agreement for distribution to unsecured creditors of Holdings. In addition, Holdings, the

Trustee and the Noteholders will release claims and possible causes of action against the Company and any other entity currently or previously a member of the Great Plains Energy or KCP&L consolidated tax group, and creditors receiving payments will be deemed to receive such payments in full satisfaction of their claims against Holdings. In addition, the Holdings Settlement Agreement provides for the receipt by KLT Telecom of an assignment of claims of Holdings, the bankruptcy estate of Holdings, the Trustee and the Noteholders against any officer or director of Holdings, or any other person or entity.

Within 190 days after the closure of the Asset Sale, KLT Inc. and KLT Telecom will pay a base sum of \$1.6 million to certain executives of Digital Teleport for entering into employment agreements required as a condition precedent to the Asset Sale. This sum will be increased based upon the amount of Escrow Funds released to Digital Teleport, but the sum is not anticipated to exceed \$2.5 million (collectively, the Payment). The Payment will be made pursuant to a December 26, 2002 letter from KLT Inc. and KLT Telecom to Mr. Paul Pierron, President of Digital Teleport.

Digital Teleport, Digital Teleport of Virginia and Holdings have prepared a joint Chapter 11 plan (Chapter 11 Plan) and disclosure statement reflecting the Asset Sale, the Teleport Settlement Agreement, and the Holdings Settlement Agreement. A confirmation hearing by the Bankruptcy Court is scheduled for June 9, 2003. Confirmation of the Chapter 11 Plan is subject to a vote of creditors and the approval of the Bankruptcy Court. Although approval cannot be assured, it is currently expected that the Chapter 11 Plan will be confirmed due to the level of support for the plan by certain members of the Creditors Committee and the Holdings noteholders. The Chapter 11 Plan contemplates that Digital Teleport, Holdings, and Digital Teleport of Virginia will be liquidated after distribution of those companies' assets to their creditors pursuant to the Chapter 11 Plan, the Teleport Settlement Agreement and the Holdings Settlement Agreement. The Teleport Settlement Agreement and the Holdings Settlement Agreement, if approved by the Bankruptcy Court in confirming the Chapter 11 Plan, resolve all material issues and disputes among the parties to those agreements.

The ultimate impact of the Chapter 11 Plan, the Asset Sale, the Teleport Settlement Agreement, and the Holdings Settlement Agreement will not be determined until final resolution of the matters set forth above. Because of DTI's filing for bankruptcy protection under the U.S. Bankruptcy Code, KLT Telecom no longer has control over nor can it exert significant influence over DTI. As a consequence, as of December 31, 2001, DTI was de-consolidated and is presented on the cost basis. Consequently, KLT Telecom did not include in its financial results the ongoing results of operations, earnings or losses incurred by DTI since December 31, 2001, and will not do so during the remaining period of the DTI bankruptcy.

## 8. BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE CALCULATION

There was no dilutive effect on Great Plains Energy's earnings (loss) per share (EPS) from other securities for the three months ended March 31, 2003 and 2002. To determine EPS, preferred stock dividend requirements are deducted from both income before cumulative effect of a change in accounting principle and net income before dividing by average number of common shares outstanding. The EPS impact of the cumulative effect of a change in accounting principle is determined by dividing the cumulative effect of a change in accounting principle by the average number of common shares outstanding.

The following table reconciles Great Plains Energy's calculation of basic and diluted EPS before cumulative effect of a change in accounting principle:

Three months ended	Income	Shares	EPS
<b>March 31, 2003</b>	(thousands except per share amounts)		
Income before cumulative effect	\$ 14,555		
Less: Preferred stock dividend requirement	411		
<b>Basic EPS</b>			
Income available to common stockholders	14,144	69,190	\$0.20
Add: effect of dilutive securities		1	
<b>Diluted EPS</b>	\$ 14,144	69,191	\$0.20
<b>Three months ended</b>	<b>Income</b>	<b>Shares</b>	<b>EPS</b>
<b>March 31, 2002</b>	(thousands except per share amounts)		
Loss before cumulative effect	\$ (2,897)		
Less: Preferred stock dividend requirement	412		
<b>Basic EPS</b>			
Income available to common stockholders	(3,309)	61,884	\$ (0.05)
Add: effect of dilutive securities		1	
<b>Diluted EPS</b>	\$ (3,309)	61,885	\$ (0.05)

Options to purchase 341,572 shares and 177,770 shares of common stock as of March 31, 2003 and 2002, respectively, were excluded from the computation of diluted EPS because the option exercise prices were greater than the market price of the common shares at the end of the respective periods.

## 9. RETAIL RATE MATTERS

At the end of January 2002, a severe ice storm occurred throughout large portions of the Midwest, including the greater Kansas City metropolitan area. In 2002, the State Corporation Commission of the State of Kansas (KCC) approved a stipulation and agreement regarding the treatment of the Kansas portion of the ice storm costs. Pursuant to the stipulation and agreement, KCP&L implemented a retail rate reduction January 1, 2003, and began calculating depreciation expense on Wolf Creek using a 60 year life instead of a 40 year life. For the three months ended March 31, 2003, KCP&L retail revenues decreased approximately \$2.6 million and depreciation expense decreased approximately \$1.9 million as a result of the stipulation and agreement. The reduction in depreciation expense has been recorded as a regulatory asset.

In 2002, the Missouri Public Service Commission (MPSC) approved KCP&L's application for an accounting authority order related to the Missouri jurisdictional portion of the storm costs. The order allows KCP&L to defer and amortize \$20.1 million, representing the Missouri portion of the storm, through January 2007. The amortization began in September 2002 and will amortize approximately \$4.6 million annually for the remainder of the amortization period. For the three months ended March 31, 2003, KCP&L amortized \$1.1 million of deferred ice storm costs.

## 10. STOCK OPTIONS

The Company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", for its stock options as of January 1, 2003. The Company has elected to use the modified prospective method of adoption as prescribed under SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". Under the modified prospective method of adoption, stock option compensation cost recognized beginning January 1, 2003, is the same as if the fair value recognition provisions of SFAS No. 123 had been applied to all stock options granted after

26

October 1, 1995. Compensation expense recorded for the three months ended March 31, 2002, was immaterial.

The following table illustrates the effect on net income (loss) and earnings (loss) per share for Great Plains Energy if the fair value method had been applied to all periods presented.

	Three Months Ended March 31	
	2003	2002
Net income (loss), as reported	\$ 14,555	\$ (5,897)
Pro forma net income (loss) as if fair value method were applied	\$ 14,555	\$ (5,885)
Basic and diluted earnings (loss) per common share, as reported	\$ 0.20	\$ (0.10)
Pro forma basic and diluted earnings (loss) per common share	\$ 0.20	\$ (0.10)

## 11. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

Custom Energy Holdings, L.L.C. holds 100% of the direct ownership interests in Strategic Energy. Great Plains Energy holds an 89% indirect ownership position in Strategic Energy. SE Holdings, L.L.C. (SE Holdings) owns the remaining 11% indirect ownership position in Strategic Energy. Richard Zomnir, President and Chief Executive Officer of Strategic Energy, holds a 56% interest in SE Holdings and certain other employees of Strategic Energy hold the remaining interests in SE Holdings.

SE Holdings has a put option to sell all or part of its 11% interest in Strategic Energy to Custom Energy Holdings at any time within the 90 days following January 31, 2004, under certain circumstances, at fair market value. Fair market value would be determined by the mutual agreement of the parties or if an agreement cannot be reached, by third party appraisal.

Custom Energy Holdings' business and affairs are controlled and managed by a three member Management Committee composed of one representative designated by KLT Energy Services Inc. (KLT Energy Services), one representative designated by IEC, and one representative designated by SE Holdings. Certain actions (including amendment of Custom Energy Holdings' operating agreement, approval of actions in contravention of the operating agreement, approval of a dissolution of Custom Energy Holdings, additional capital contributions and assumption of recourse indebtedness) require the unanimous consent of all the members of Custom Energy Holdings. Certain other actions (including mergers with Custom Energy Holdings, acquisitions by Custom Energy Holdings, assumption of non-recourse indebtedness, sales of substantial assets, approval of distributions, filing of registration statements, partition of assets, admission of new members and transfers of interests in Custom Energy Holdings) can be approved by the Management Committee, but to the extent they affect the rights, obligations, assets or business of Strategic Energy, the approval of the Strategic Energy Management Committee is also required.

Strategic Energy's business and affairs are controlled and managed exclusively by a four member Management Committee composed of two representatives designated by KLT Energy Services, one representative designated by IEC and one representative designated by SE Holdings. Certain actions (including amendment of Strategic Energy's operating agreement, approval of actions in contravention of the operating agreement, approval of transactions between Strategic Energy and affiliates of its members, approval of a dissolution of Strategic Energy, and assumption of recourse indebtedness) require the unanimous consent of all the Management Committee representatives of Strategic Energy.

27

## 12. GUARANTEES

In the normal course of business, Great Plains Energy and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended business purposes.

As prescribed in FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others", the Company began recording a liability for the fair value of the obligation it has undertaken for guarantees issued after December 31, 2002. The liability recognition requirements of FASB Interpretation No. 45 are to be applied on a prospective basis to guarantees issued or modified after December 31, 2002, while the disclosure requirements are to be applied to all guarantees. The interpretation does not encompass guarantees of the Company's own future performance, such as credit support provided to its subsidiaries. As of March 31, 2003, KCP&L recorded an immaterial amount for the fair value of guarantees issued for the residual value of vehicles and heavy equipment under an operating lease.

The following table reflects Great Plains Energy's and consolidated KCP&L's maximum potential amount of future payments that could be required under guarantees and describes those guarantees:

Maximum potential  
amount of future

Guarantor	payments under guarantee (millions)	Nature of Guarantee
KCP&L	\$ 12.5	Guaranteed energy savings under agreements with several customers that expire over the next 8 years. In most cases, a subcontractor would indemnify KCP&L for any payments made by KCP&L under these guarantees.
KCP&L	8.5	Guarantees for residual value of vehicles and heavy equipment under an operating lease. Guaranteed residual values average approximately \$0.7 million per year through 2013.
Total consolidated KCP&L	21.0	
KLT Inc.	0.9	KLT Inc. issued a letter of credit related to the sale of demand side management credits by Custom Energy, L.L.C. which renews annually and has 8 years remaining.
KLT Energy Services	2.4	Custom Energy, L.L.C. has indemnified construction performance bonds totaling \$9.7 million, which are secured by KLT Energy Services' \$2.4 million ownership interest in Custom Energy, L.L.C. These bonds are expected to expire in 2003.
Total Great Plains Energy	\$ 24.3	

In 2001, KCP&L entered into a synthetic lease arrangement with a Trust (Lessor). At the end of the lease term (October 2006), KCP&L may choose to sell the project for the Lessor, guaranteeing to the Lessor a residual value for the Project in an amount which may be up to 83.21% of the project cost. As a result of the new consolidation requirements of FASB Interpretation No. 46, the synthetic lease

28

arrangement will be consolidated in the third quarter of 2003. See Note 6 for additional information regarding KCP&L's synthetic lease arrangement.

### 13. ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2003, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 provides accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. Under the standard, these liabilities are recognized at fair value as incurred and capitalized as part of the cost of the related long-lived asset. Accretion of the liabilities due to the passage of time is recorded as an operating expense. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which a legal obligation exists under enacted laws, statutes written or oral contracts, including obligations arising under the doctrine of promissory estoppel.

The adoption of SFAS No. 143 changed the accounting for and the method used to report KCP&L's obligation to decommission its 47% share of Wolf Creek. The legal obligation to decommission Wolf Creek was incurred when the plant was placed in service in 1985. The estimated liability, recognized on KCP&L's balance sheet at January 1, 2003, is based on a third party nuclear decommissioning study conducted in 2002. KCP&L used a credit-adjusted risk free discount rate of 6.42% to calculate the retirement obligation. This rate is based on the rate KCP&L could issue 30-year bonds, adjusted downward to reflect the portion of the anticipated costs in current year dollars that have been funded to date through the tax-qualified trust fund. The cumulative impact of prior decommissioning accruals recorded consistent with rate orders issued by the MPSC and KCC have been reversed and a new regulatory contra-asset for such amounts has been established. Amounts collected through these rate orders have been deposited in a legally restricted external trust fund. The fair market value of the trust fund was \$63.5 million and \$63.3 million at March 31, 2003 and December 31, 2002, respectively.

KCP&L also must recognize, where possible to estimate, the future costs to settle other legal liabilities including the removal of water intake structures on rivers, capping/filling of piping at levees following steam power plant closures and capping/closure of ash landfills. Estimates for these liabilities are based on internal engineering estimates of third party costs to remove the assets in satisfaction of legal obligations and have been discounted using credit adjusted risk free rates ranging from 5.25% to 7.50% depending on the anticipated settlement date.

KLT Gas has estimated liabilities for gas well plugging and abandonment, facility removal and surface restoration. These estimates are based upon internal estimates of third party costs to satisfy the legal obligations and have been discounted using credit adjusted risk free rates ranging from 6.00% to 7.25%, depending upon the anticipated settlement date.

Revisions to the estimated liabilities of KCP&L and KLT Gas could occur due to changes in the decommissioning or other cost estimates, extension of the nuclear operating license or changes in federal or state regulatory requirements.

On January 1, 2003, KCP&L recorded an asset retirement obligation of \$99.2 million and increased property and equipment, net of accumulated depreciation, by \$18.3 million. KCP&L is a regulated utility subject to the provisions of SFAS No. 71 and management believes it is probable that any differences between expenses under SFAS No. 143 and expenses recovered currently in rates will be recoverable in future rates. As a result, the \$80.9 million cumulative effect of the adoption of SFAS No. 143 was recorded as a regulatory asset and therefore, had no impact on net income.

29

As a result of its adoption of SFAS No. 143, KLT Gas recorded an asset retirement obligation of \$1.2 million, increased property and equipment by \$1.0 million and increased operating expense by \$0.2 million for the immaterial cumulative effect of the accounting change.

KCP&L has legal asset retirement obligations for certain other assets where it is not possible to estimate the time period when the obligations will be settled. Consequently, the retirement obligations cannot be measured at this time. For transmission easements obtained by condemnation, KCP&L must remove its transmission lines if the line is de-energized. It is extremely difficult to obtain siting for new transmission lines. Consequently, KCP&L does not anticipate de-

energizing any of its existing lines. KCP&L also operates, under state permits, ash landfills at several of its power plants. While the life of the ash landfill at one plant can be estimated and is included in the estimated liabilities above, the future life of ash landfills at other permitted landfills cannot be estimated. KCP&L can continue to maintain permits for these landfills after the adjacent plant is closed.

The following table illustrates the effect on asset retirement obligations if the provisions of SFAS No. 143 had been applied beginning January 1, 2000. Pro forma amounts for the periods prior to the January 1, 2003, adoption were measured using assumptions consistent with the period of adoption.

	2000	2001	2002	Three Months Ended March 31 2003
<b>Consolidated KCP&amp;L</b>				
Asset retirement obligation beginning of period	\$ 81.9	\$ 87.3	\$ 93.1	\$ 99.2
Additions	-	0.1	-	-
Accretion	5.4	5.7	6.1	1.6
Asset retirement obligation end of period	\$ 87.3	\$ 93.1	\$ 99.2	\$ 100.8
<b>Other Great Plains Energy</b>				
Asset retirement obligation beginning of period	\$ 0.9	\$ 0.9	\$ 1.1	\$ 1.2
Additions	-	0.1	-	-
Accretion	-	0.1	0.1	-
Asset retirement obligation end of period	\$ 0.9	\$ 1.1	\$ 1.2	\$ 1.2
<b>Consolidated Great Plains Energy</b>				
Asset retirement obligation beginning of period	\$ 82.8	\$ 88.2	\$ 94.2	\$ 100.4
Additions	-	0.2	-	-
Accretion	5.4	5.8	6.2	1.6
Asset retirement obligation end of period	\$ 88.2	\$ 94.2	\$ 100.4	\$ 102.0

#### 14. SEGMENT AND RELATED INFORMATION

##### Great Plains Energy

Great Plains Energy has three reportable segments based on its method of internal reporting, which generally segregates the reportable segments based on products and services, management responsibility and regulation. The three reportable business segments are: (1) KCP&L, an integrated, regulated electric utility, generates, transmits and distributes electricity; (2) Strategic Energy provides power supply coordination services by entering into long-term contracts with its customers to supply electricity Strategic Energy purchases under long-term contracts, operating in several electricity markets offering retail choice; and (3) KLT Gas explores for, develops, and produces unconventional natural gas resources, including coalbed methane properties. "Other" includes the operations of HSS and GPP, all KLT Inc. operations other than Strategic Energy and KLT Gas, unallocated corporate charges and intercompany eliminations. The summary of significant accounting policies applies to all of the reportable segments. Segment performance is evaluated based on net income.

30

The tables below reflect summarized financial information concerning Great Plains Energy's reportable segments. Prior year information has been reclassified to conform to the current presentation.

Three Months Ended March 31, 2003	KCP&L	Strategic Energy	KLT Gas (millions)	Other	Great Plains Energy
Operating revenues	\$234.4	\$229.2	\$ 0.4	\$ 12.7	\$476.7
Depreciation and depletion	(34.6)	(0.3)	(0.3)	(0.8)	(36.0)
Loss from equity investments	-	-	-	(0.3)	(0.3)
Interest charges	(17.8)	(0.1)	(0.2)	(1.8)	(19.9)
Income taxes	(10.7)	(7.6)	4.1	7.1	(7.1)
Net income (loss)	13.4	9.8	(6.5)	(2.2)	14.5
Three Months Ended March 31, 2002	KCP&L	Strategic Energy	KLT Gas (millions)	Other	Great Plains Energy
Operating revenues	\$198.9	\$146.4	\$ 0.2	\$ 13.3	\$358.8
Depreciation and depletion	(35.8)	(0.2)	(0.3)	(1.1)	(37.4)
Loss from equity investments	-	-	-	(0.3)	(0.3)
Interest charges	(19.0)	(0.1)	-	(1.7)	(20.8)
Income taxes	6.6	(4.8)	2.3	8.5	12.6
Cumulative effect of a change in accounting principle	-	-	-	(3.0)	(3.0)
Net income (loss)	(6.9)	6.9	(0.1)	(5.8)	(5.9)
March 31, 2003	KCP&L	Strategic Energy	KLT Gas (millions)	Other	Great Plains Energy
Assets	\$3,108.8	\$ 291.1	\$ 41.2	\$ 148.0	\$3,589.1
Capital and investment expenditures (a)	30.2	0.2	3.2	-	33.6
December 31, 2002			(millions)		
Assets	\$3,084.5	\$ 226.0	\$ 49.8	\$ 146.4	\$3,506.7
Capital and investment expenditures (a)	135.5	2.1	8.7	4.6	150.9

(a) Capital and investment expenditures reflect year to date amounts for the periods presented.

**Consolidated KCP&L**

The table below reflects summarized financial information concerning consolidated KCP&L's reportable segment. Other includes the operations of HSS and immaterial intercompany eliminations.

<b>Three Months Ended March 31, 2003</b>	KCP&L	Other (millions)	Consolidated KCP&L
Operating revenues	\$ 234.4	\$ 12.6	\$ 247.0
Depreciation and depletion	(34.6)	(0.8)	(35.4)
Interest charges	(17.8)	(0.4)	(18.2)
Income taxes	(10.7)	0.1	(10.6)
Net income (loss)	13.4	(1.5)	11.9

31

<b>Three Months Ended March 31, 2002</b>	KCP&L	Other (millions)	Consolidated KCP&L
Operating revenues	\$ 198.9	\$ 13.3	\$ 212.2
Depreciation and depletion	(35.8)	(1.1)	(36.9)
Interest charges	(19.0)	(0.4)	(19.4)
Income taxes	6.6	(0.1)	6.5
Cumulative effect of a change in accounting principle	-	(3.0)	(3.0)
Net loss	(6.9)	(4.1)	(11.0)

<b>March 31, 2003</b>	KCP&L	Other (millions)	Consolidated KCP&L
Assets	\$ 3,108.8	\$ 54.7	\$ 3,163.5
Capital and investment expenditures (a)	30.2	-	30.2
<b>December 31, 2002</b>			
Assets	\$ 3,084.5	\$ 54.7	\$ 3,139.2
Capital and investment expenditures (a)	135.5	1.2	136.7

(a) Capital and investment expenditures reflect year to date amounts for the periods presented.

**15. DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative instruments are accounted for in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

**Derivative Instruments and Hedging Activities**

The Company's activities expose it to a variety of market risks including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on its operating results.

The Company's interest rate risk management strategy uses derivative instruments to adjust the Company's liability portfolio to optimize the mix of fixed and floating rate debt within an established range. The Company maintains commodity-price risk management strategies that use derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity price volatility.

The Company's risk management activities, including the use of derivatives, are subject to the management, direction and control of internal risk management committees.

**Interest Rate Risk Management**

KCP&L utilizes interest rate management derivatives to adjust its liability portfolio to optimize the mix of fixed and floating rate debt within an established range.

In 2002, KCP&L remarketed its 1998 Series A, B, and D Environmental Improvement Revenue Refunding (EIRR) bonds totaling \$146.5 million to a 5-year fixed interest rate of 4.75% ending October 1, 2007. Simultaneously with the remarketing, KCP&L entered into an interest rate swap for the \$146.5 million based on LIBOR to effectively create a floating interest rate obligation. The transaction is a fair value hedge with the assumption of no ineffectiveness under SFAS No. 133. Changes in the fair

32

market value of the swap are recorded on the balance sheet as an asset with an offset to the respective debt balances with no impact on earnings. At March 31, 2003, the fair value of the swap was \$4.8 million.

KCP&L has two interest rate swap agreements in place to fix the interest rate on \$30 million of floating-rate long-term debt. These swaps do not meet the criteria to qualify for hedge accounting. The swap agreements expire in June 2003 and effectively fix the interest at a weighted-average rate of 3.88%. The fair market

values of these agreements are recorded as current assets or liabilities and changes in the fair market value of these instruments is recorded as interest expense in the income statement.

### Commodity Risk Management

KCP&L's risk management policy is to use derivative hedge instruments to mitigate its exposure to market price fluctuations on a portion of its projected gas generation requirements for retail and firm wholesale sales. These hedging instruments are designated as cash flow hedges. The fair market values of these instruments are recorded as current assets or current liabilities. When the gas is purchased and to the extent the hedge is effective at mitigating the impact of a change in the purchase price of gas, the amounts in other comprehensive income are reclassified to the consolidated income statement. To the extent that the hedges are not effective, the ineffective portion of the changes in fair market value is recorded directly in fuel expense.

Strategic Energy maintains a commodity-price risk management strategy that uses forward physical energy purchases and derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility.

As a result of supplying electricity to retail customers under fixed rate contracts, Strategic Energy's policy is to match customers' projected demand with fixed price purchases. In certain markets where Strategic Energy operates, entering into forward fixed price contracts is cost prohibitive. By entering into swap contracts for a portion of its forecasted purchases in these markets, the future purchase price of electricity is effectively fixed under these swap contracts protecting Strategic Energy from price volatility. The swap contracts limit the unfavorable effect that price increases will have on electricity purchases. Under SFAS No. 133, the majority of the swap agreements are designated as cash flow hedges resulting in the difference between the market value of energy and the hedge value being recorded as other comprehensive income (loss). To the extent that the hedges are not effective, the ineffective portion of the changes in fair market value will be recorded directly in purchased power.

In March 2003, Strategic Energy initiated a termination agreement with a swap counterparty due to credit and performance concerns. Strategic Energy received a \$4.8 million fair value settlement. The swap was designated as a cash flow hedge of a forecasted transaction and Strategic Energy management believes the forecasted transaction will occur; therefore, the gain remains in other comprehensive income and will be reclassified to earnings in the same period during which the forecasted transaction affects earnings.

KLT Gas' risk management policy is to use firm sales agreements or financial hedge instruments to mitigate its exposure to market price fluctuations on up to 85% of its daily natural gas production. KLT Gas is currently developing and testing gas properties; therefore, no production was hedged in 2002 or 2003.

The amounts recorded related to the cash flow hedges in Other Comprehensive Income (OCI) are summarized in the following tables:

#### *Great Plains Energy activity for the three months ended March 31, 2003*

	December 31 2002	Increase (Decrease) in Comprehensive Income (millions)	Reclassified	March 31 2003
Assets				
Cash	\$ -	\$ 4.8	\$ -	\$ 4.8
Other current assets	3.0	6.9	(4.0)	5.9
Liabilities and capitalization				
Other current liabilities	(1.6)	1.6	(2.2)	(2.2)
Other comprehensive income	(0.9)	(6.7)	3.1	(4.5)
Deferred income taxes	(0.7)	(5.1)	2.4	(3.4)
Other deferred credits	0.2	(1.5)	0.7	(0.6)

#### *Consolidated KCP&L activity for the three months ended March 31, 2003*

	December 31 2002	Increase (Decrease) in Comprehensive Income (millions)	Reclassified	March 31 2003
Assets				
Other current assets	\$ 0.3	\$ 1.3	\$ -	\$ 1.6
Liabilities and capitalization				
Other comprehensive income	(0.2)	(0.8)	-	(1.0)
Deferred income taxes	(0.1)	(0.5)	-	(0.6)

#### *Great Plains Energy activity for the three months ended March 31, 2002*

	December 31 2001	Increase (Decrease) in Comprehensive Income (millions)	Reclassified	March 31 2002
Assets				
Other current assets	\$ (0.2)	\$ 0.9	\$ 0.1	\$ 0.8
Other deferred debits	-	0.3	-	0.3
Liabilities and capitalization				
Other current liabilities	(12.7)	2.4	2.9	(7.4)
Other comprehensive				

income	12.1	(3.4)	(1.5)	7.2
Deferred income taxes	8.5	(2.4)	(1.0)	5.1
Other deferred credits	(7.7)	2.2	(0.5)	(6.0)

34

Consolidated KCP&L activity for the three months ended March 31, 2002

	December 31 2001	Increase (Decrease) in Comprehensive Income (millions)	Reclassified	March 31 2002
Assets				
Other current assets	\$ (0.2)	\$ 0.5	\$ 0.1	\$ 0.4
Liabilities and capitalization				
Other current liabilities	(0.1)	0.1	-	-
Other comprehensive income	0.2	(0.4)	(0.1)	(0.3)
Deferred income taxes	0.1	(0.2)	-	(0.1)

Reclassified to earnings for the three months ended March 31,

	Great Plains Energy (millions)		Consolidated KCP&L (millions)	
	2003	2002	2003	2002
Fuel expense	\$ -	\$ 0.1	\$ -	\$ 0.1
Purchased power expense	(6.2)	2.9	-	-
Minority interest	0.7	(0.5)	-	-
Income taxes	2.4	(1.0)	-	-
Other comprehensive income	\$ (3.1)	\$ 1.5	\$ -	\$ 0.1

35

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis of Financial Condition and Results of Operations that follow are a combined presentation for Great Plains Energy and KCP&L, both registrants under this filing. The discussion and analysis by management focuses on those factors that had a material effect on the financial condition and results of operations of the registrants during the periods presented. It should be read in conjunction with the accompanying consolidated financial statements and related notes and with the management's discussion and analysis included in the companies' 2002 annual report on Form 10-K.

### Great Plains Energy Incorporated

As a diversified energy company, Great Plains Energy's reportable business segments include:

- o KCP&L, an integrated, regulated electric utility in the states of Missouri and Kansas, provides reliable, affordable electricity to retail customers;
- o Strategic Energy provides power supply coordination services by entering into long-term contracts with its customers to supply electricity. Strategic Energy purchases under long-term contracts, operating in several electricity markets offering retail choice, including Pennsylvania, California, Ohio, New York, Massachusetts, Texas and Michigan; and
- o KLT Gas explores for, develops and produces unconventional natural gas resources.

The Company's goal is to become a premier diversified energy company that achieves annual growth in earnings per share in a financially disciplined manner. To achieve this goal, Great Plains Energy intends to focus on its three reportable segments of business:

- o Stressing operational excellence in the utility operations of KCP&L;
- o Expanding Strategic Energy's business model in new and existing markets; and
- o Developing KLT Gas into a leading unconventional natural gas exploration company.

### Critical Accounting Policies

#### Regulatory Matters

At the end of January 2002, a severe ice storm occurred throughout large portions of the Midwest, including the greater Kansas City metropolitan area. In 2002, the KCC approved a stipulation and agreement regarding the treatment of the Kansas portion of the ice storm costs. Pursuant to the stipulation and agreement, KCP&L implemented a retail rate reduction January 1, 2003, and began calculating depreciation expense on Wolf Creek using a 60 year life instead of a 40 year life. For the three months ended March 31, 2003, KCP&L retail revenues decreased approximately \$2.6 million and depreciation expense decreased approximately \$1.9 million as a result of the stipulation and agreement. The reduction in depreciation expense has been recorded as a regulatory asset.

In 2002, the MPSC approved KCP&L's application for an accounting authority order related to the Missouri jurisdictional portion of the storm costs. The order allows KCP&L to defer and amortize \$20.1 million, representing the Missouri portion of the storm costs, through January 2007. The amortization began in September 2002 and will amortize approximately \$4.6 million annually for the remainder of the amortization period. For the three months ended March 31, 2003, KCP&L amortized \$1.1 million of deferred ice storm costs.

### Asset Retirement Obligations

Effective January 1, 2003, the Company adopted SFAS No. 143. SFAS No. 143 provides accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. Under the standard, these liabilities are recognized at fair value as incurred and capitalized as part of the cost of the related long-lived asset. Accretion of the liabilities due to the passage of time is recorded as an operating expense. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which a legal obligation exists under enacted laws, statutes written or oral contracts, including obligations arising under the doctrine of promissory estoppel.

The adoption of SFAS No. 143 changed the accounting for and the method used to report KCP&L's obligation to decommission its 47% share of Wolf Creek. The legal obligation to decommission Wolf Creek was incurred when the plant was placed in service in 1985. The estimated liability, recognized on KCP&L's balance sheet at January 1, 2003, is based on a third party nuclear decommissioning study conducted in 2002. KCP&L used a credit-adjusted risk free discount rate of 6.42% to calculate the retirement obligation. This rate is based on the rate KCP&L could issue 30-year bonds, adjusted downward to reflect the portion of the anticipated costs in current year dollars that have been funded to date through the tax-qualified trust fund. The cumulative impact of prior decommissioning accruals recorded consistent with rate orders issued by the MPSC and KCC have been reversed and a new regulatory contra-asset for such amounts has been established. Amounts collected through these rate orders have been deposited in a legally restricted external trust fund. The fair market value of the trust fund was \$63.5 million and \$63.3 million at March 31, 2003 and December 31, 2002, respectively.

KCP&L also must recognize, where possible to estimate, the future costs to settle other legal liabilities including the removal of water intake structures on rivers, capping/filling of piping at levees following steam power plant closures and capping/closure of ash landfills. Estimates for these liabilities are based on internal engineering estimates of third party costs to remove the assets in satisfaction of legal obligations and have been discounted using credit adjusted risk free rates ranging from 5.25% to 7.50% depending on the anticipated settlement date.

KLT Gas has estimated liabilities for gas well plugging and abandonment, facility removal and surface restoration. These estimates are based upon internal estimates of third party costs to satisfy the legal obligations and have been discounted using credit adjusted risk free rates ranging from 6.00% to 7.25%, depending upon the anticipated settlement date.

Revisions to the estimated liabilities of KCP&L and KLT Gas could occur due to changes in the decommissioning or other cost estimates, extension of the nuclear operating license or changes in federal or state regulatory requirements.

On January 1, 2003, KCP&L recorded an asset retirement obligation of \$99.2 million and increased property and equipment, net of accumulated depreciation, by \$18.3 million. KCP&L is a regulated utility subject to the provisions of SFAS No. 71 and management believes it is probable that any differences between expenses under SFAS No. 143 and expenses recovered currently in rates will be recoverable in future rates. As a result, the \$80.9 million cumulative effect of the adoption of SFAS No. 143 was recorded as a regulatory asset and therefore, had no impact on net income.

As a result of its adoption of SFAS No. 143, KLT Gas recorded an asset retirement obligation of \$1.2 million, increased property and equipment by \$1.0 million and increased operating expense by \$0.2 million for the immaterial cumulative effect of the accounting change.

If the provisions of SFAS No. 143 had been applied to the consolidated balance sheets presented, Consolidated KCP&L's liability for asset retirement obligations would have been \$99.2 million at

December 31, 2002. Great Plains Energy's liability for asset retirement obligations at December 31, 2002, would have been \$100.4 million, reflecting consolidated KCP&L's liability and the KLT Gas liability of \$1.2 million.

KCP&L has legal asset retirement obligations for certain other assets where it is not possible to estimate the time period when the obligations will be settled. Consequently, the retirement obligations cannot be measured at this time. For transmission easements obtained by condemnation, KCP&L must remove its transmission lines if the line is de-energized. It is extremely difficult to obtain siting for new transmission lines. Consequently, KCP&L does not anticipate de-energizing any of its existing lines. KCP&L also operates, under state permits, ash landfills at several of its power plants. While the life of the ash landfill at one plant can be estimated and is included in the estimated liabilities above, the future life of ash landfills at other permitted landfills cannot be estimated. KCP&L can continue to maintain permits for these landfills after the adjacent plant is closed.

Although the liability for Wolf Creek decommissioning costs recorded under the new ARO method will be substantially the same at the end of Wolf Creek's life as the liability that would have been recorded under the former ratemaking method, the rate at which the liability will increase will be different under the two methods. In the near term, the ARO liability will be higher than the liability under the former method. Because KCP&L is subject to SFAS No. 71, the difference in the recognition of the liability will have no impact on earnings.

Prior to the adoption of SFAS No. 143, KLT Gas did not record asset retirement costs and liabilities, or the associated depreciation and accretion. Retirement costs would have been charged to expense when incurred in the period of settlement. Under SFAS No. 143, KLT Gas' reserve for depreciation and asset retirement liabilities will increase systematically over the asset life up to the time of settlement with corresponding increases in expense.

### Great Plains Energy Results of Operations

	Three Months Ended	
	March 31	
	2003	2002
	(millions)	
Operating revenues	\$ 476.7	\$ 358.8
Fuel	(37.4)	(34.0)
Purchased power - KCP&L	(16.1)	(10.9)
Purchased power - Strategic Energy	(199.9)	(125.0)
Revenues, net of fuel and purchased power	223.3	188.9
Other operating expenses	(130.7)	(136.2)
Depreciation and depletion	(36.0)	(37.4)

Loss on property	(9.0)	-
Operating income	47.6	15.3
Loss from equity investments	(0.3)	(0.3)
Non-operating income (expenses)	(5.8)	(9.7)
Interest charges	(19.9)	(20.8)
Income taxes	(7.1)	12.6
Cumulative effect of a change in accounting principle	-	(3.0)
Net income (loss)	14.5	(5.9)
Preferred dividends	(0.4)	(0.4)
Earnings (loss) available for common stock	\$ 14.1	\$ (6.3)

38

Great Plains Energy's three months ended March 31, 2003 earnings, as detailed in the table below, increased to \$14.1 million, or \$0.20 per share, from a loss of \$6.3 million, or \$(0.10) per share, compared to the same period of 2002.

	Earnings (Loss)		Earnings per Great Plains Energy Share	
	2003	2002	2003	2002
	(millions)			
<b>Three Months Ended March 31</b>				
KCP&L	\$13.4	\$ (6.9)	\$ 0.19	\$(0.11)
Subsidiary operations	(1.5)	(1.1)	(0.02)	(0.02)
Cumulative effect to January 1, 2002 of a change in accounting principle	-	(3.0)	-	(0.05)
Consolidated KCP&L	11.9	(11.0)	0.17	(0.18)
Strategic Energy	9.8	6.9	0.14	0.11
KLT Gas	(6.5)	(0.1)	(0.09)	-
Other non-regulated operations	(1.1)	(2.1)	(0.02)	(0.03)
Total	\$14.1	\$ (6.3)	\$ 0.20	\$(0.10)

KCP&L earnings increased \$20.3 million for the three months ended March 31, 2003, compared to the same period of 2002. KCP&L revenue, net of fuel and purchased power increased \$26.9 million primarily due to a significant increase in the price per MWh of wholesale sales driven by an approximate doubling of natural gas prices. This increase combined with the \$13.7 million net decrease in storm costs more than offset a \$3.0 million increase in pension expense and a \$2.1 million increase in power plant maintenance. The amortization of the Missouri jurisdictional portion of the storm costs totaled \$1.1 million in the first quarter of 2003. During the first quarter of 2002, KCP&L expensed \$14.8 million for the Kansas jurisdictional portion of the storm costs.

Strategic Energy's earnings increased \$2.9 million for the three months ended March 31, 2003, compared to the same period of 2002. The increase is the result of a \$7.9 million increase in revenues net of purchased power primarily due to a 70% increase in MWhs sold. This increase was offset slightly by an increase in administrative and general expenses. In addition to the continued growth, Great Plains Energy's ownership of Strategic Energy was increased by 5.8% in the fourth quarter of 2002.

KLT Gas continues to focus on the testing and development of several unconventional natural gas properties. In the first quarter of 2003, KLT Gas recorded an after tax impairment charge of \$5.5 million on a Rocky Mountain project in response to lower revised estimates of future gas production.

Other non-regulated operations included, among other things, a \$1.9 million increase in earnings primarily due to lower reductions in affordable housing limited partnerships in the first quarter of 2003 compared to 2002.

The 2002 cumulative effect of a change in accounting principle reflects RSAE's write-down of goodwill due to the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets".

39

### **Consolidated KCP&L**

The following discussion of consolidated KCP&L results of operations includes KCP&L, an integrated electric utility and HSS, an unregulated subsidiary of KCP&L. References to KCP&L, in the discussion that follows, reflect only the operations of the integrated electric utility.

#### **Consolidated KCP&L Business Overview**

As an integrated electric utility, KCP&L engages in the generation, transmission, distribution and sale of electricity.

KCP&L's power business will have over 4,000 megawatts of generating capacity following the completion of five combustion turbine units that will add 385 megawatts of peaking capacity. Construction began during the third quarter of 2002 and the units are on schedule to be online this summer. KCP&L has entered into a five-year construction and synthetic operating lease transaction with a Trust for the five combustion turbines. The total estimated cost for the purchase, installation, assembly and construction of the five combustion turbines is \$176 million. Under FASB Interpretation No. 46, KCP&L will be required to consolidate the Trust effective July 1, 2003. KCP&L's utility plant and long-term debt will increase by the total project costs. Because of the manner in which the current synthetic lease is treated for covenant purposes in the Company's and KCP&L's financing arrangements, as well as by the rating agencies, liquidity and credit ratings are not expected to be impacted by this new accounting standard.

KCP&L's delivery business consists of transmission and distribution facilities that serve over 485,000 customers as of March 31, 2003. KCP&L continues to experience load growth approximating the historical average of 2.0% to 2.5% annually through increased customer usage and additional customers. Rates charged for electricity are below the national average.

At the end of January 2002, a severe ice storm occurred throughout large portions of the Midwest, including the greater Kansas City metropolitan area. At its peak, the storm caused over 300,000 customer outages throughout the KCP&L service territory, an unprecedented level in the KCP&L's 120-year history. Crews from other utilities in numerous states were called in to assist in the restoration of power and power was restored in nine days. Total costs related to the January ice storm were approximately \$51.3 million of which \$14.7 million were capital expenditures and therefore charged to utility plant. KCP&L expensed a total of \$16.5 million in 2002 for the Kansas jurisdictional portion of the storm costs and deferred \$20.1 million of the storm costs applicable to Missouri. Estimated costs recorded in the three months ended March 31, 2002, were \$45.4 million which included \$12.5 million for capital expenditures, \$14.8 million applicable to Kansas, and \$18.1 million applicable to Missouri. In January 2003, Edison Electric Institute honored KCP&L for exemplary performance and dedication in restoring power to customers during the storm and recognized KCP&L by awarding it the association's annual "Emergency Response Award".

Under the Federal Energy Regulatory Commission (FERC) Order 2000, KCP&L, as an investor-owned utility, is strongly encouraged to join a FERC approved Regional Transmission Organization (RTO). RTOs combine regional transmission operations of utility businesses into a regional organization that schedules transmission services and monitors the energy market to ensure regional transmission reliability and non-discriminatory access. During the first quarter of 2002, the Southwest Power Pool, Inc. (SPP) and the Midwest Independent System Operator (MISO) voted to consolidate the two organizations to create a larger Midwestern RTO, a non-profit organization that will operate in twenty states and one Canadian province. During March 2003, SPP and MISO mutually agreed to terminate the process of consolidating the organizations. Since KCP&L is a member of the SPP and was expected to participate in the RTO created by the consolidation, KCP&L's RTO participation is uncertain. Subsequent to the termination of the merger between SPP and MISO, the SPP formulated and approved a Strategic Plan for SPP. The plan includes provisions for SPP to become compliant

40

with FERC Order 2000. It is anticipated that a detailed plan for becoming Order 2000 compliant, including a schedule, will be presented to the SPP Board of Directors at the Board's June 2003 meeting. KCP&L is directly participating in this process.

During the third quarter of 2002, the FERC issued a Notice of Proposed Rulemaking to Remedy Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design. The proposed rulemaking is designed to establish a single non-discriminatory open access transmission tariff with a single transmission service that is applicable to all users of the interstate transmission grid. All public utilities that own, control or operate interstate transmission facilities would be required to become independent transmission providers, turn over the operation of their transmission facilities to an RTO that meets the definition of an independent transmission provider or contract with an entity that meets the definition of an independent transmission provider. KCP&L filed comments with the FERC on the proposed rulemaking in November 2002. In late April 2003, the FERC issued a white paper titled "Wholesale Power Market Platform", in response to comments received on its proposed rulemaking. In the white paper, the FERC stated its intent to require all public utilities to join an RTO or Independent System Operator (ISO). The FERC also stressed that a significant role will be played by regional authorities and state committees in setting up regional power markets. The proposal allows for phase-in implementation and sequencing tailored to each region. The FERC also indicated that divestiture is not required to achieve independent operation of the transmission system. Companies may remain vertically integrated under an RTO or ISO. Additionally, as proposed, each RTO or ISO would be required to have a clear transmission cost recovery policy outlined in its tariff. The FERC will accept comments on the white paper before issuing a final rule.

KCP&L has a wholly-owned unregulated subsidiary, HSS, that holds investments in businesses primarily in residential services. HSS is comprised of two direct subsidiaries, RSAE and Worry Free. HSS is evaluating strategic alternatives concerning its investments, which could include a possible sale of a portion or all of the businesses.

HSS has recorded losses from its investment in RSAE that resulted in a negative investment balance. As a result of these losses, the minority interest in RSAE was reduced to zero. Accordingly, as long as RSAE is consolidated, any future losses of RSAE would be recorded by HSS at 100%, which will further decrease the investment below zero.

41

### Consolidated KCP&L Results of Operations

The following table summarizes consolidated KCP&L's comparative results of operations.

	Three Months Ended March 31	
	2003	2002
	(millions)	
Operating revenues	\$ 247.0	\$ 212.2
Fuel	(37.4)	(34.0)
Purchased power	(16.1)	(10.9)
Revenues, net of fuel and purchased power	193.5	167.3
Other operating expenses	(116.1)	(123.8)
Depreciation and depletion	(35.4)	(36.9)
Gain on property	-	0.1
Operating income	42.0	6.7
Non-operating income (expenses)	(1.3)	(1.8)
Interest charges	(18.2)	(19.4)
Income taxes	(10.6)	6.5
Cumulative effect of a change in accounting principle	-	(3.0)
Net income (loss)	\$ 11.9	\$ (11.0)

Consolidated KCP&L earnings increased \$22.9 million primarily due to increased earnings from KCP&L of \$20.3 million for the three months ended March 31, 2003, compared to the same period of 2002. KCP&L's revenue, net of fuel and purchased power increased \$26.9 million primarily due to a significant increase in the price per MWh of wholesale sales driven by an approximate doubling of natural gas prices and an increase in wholesale MWh sales. This increase combined with a \$13.7 million net decrease in storm costs more than offset a \$3.0 million increase in pension expense and a \$2.1 million increase in power plant maintenance.

The amortization of the Missouri jurisdictional portion of the storm costs totaled \$1.1 million in the first quarter of 2003. During the first quarter of 2002, KCP&L expensed \$14.8 million for the Kansas jurisdictional portion of the storm costs.

The Company adopted SFAS No. 142, effective January 1, 2002. In accordance with SFAS No. 142, the Company completed its transition impairment test of RSAE goodwill and determined that a \$3.0 million write-down of goodwill was required. As a result, KCP&L's consolidated net income for the three months ended March 31, 2002, reflects the \$3.0 million cumulative effect to January 1, 2002, of a change in accounting principle. Ongoing annual impairment tests are required by SFAS No. 142. No subsequent write-downs have been required.

42

### Consolidated KCP&L Sales Revenues and MWh Sales

	Three Months Ended		% Change
	2003	March 31 2002	
Retail revenues		(millions)	
Residential	\$ 72.4	\$ 69.8	4
Commercial	89.8	86.5	4
Industrial	20.9	19.8	6
Other retail revenues	2.1	2.2	-
Total retail	185.2	178.3	4
Wholesale revenues	46.3	17.5	164
Other revenues	2.9	3.1	(9)
KCP&L electric revenues	234.4	198.9	18
Subsidiary revenues	12.6	13.3	(5)
Consolidated KCP&L revenues	\$ 247.0	\$ 212.2	16

	Three Months Ended		% Change
	2003	March 31 2002	
Retail MWh sales		(thousands)	
Residential	1,154	1,069	8
Commercial	1,629	1,556	5
Industrial	479	426	12
Other retail MWh sales	20	22	(2)
Total retail	3,282	3,073	7
Wholesale MWh sales	1,490	855	74
KCP&L electric MWh sales	4,772	3,928	21

Retail revenues increased \$6.9 million for the three months ended March 31, 2003 compared to the same period of 2002 primarily due to favorable weather and continued load growth. The increase was partially offset by \$2.6 million associated with the Kansas rate decrease effective January 1, 2003. See Critical Accounting Policies for additional information. Less than 1% of revenues include an automatic fuel adjustment provision.

Bulk power sales, the major component of wholesale sales, vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. Wholesale revenues increased \$28.8 million primarily due to a 77% increase in the bulk power price per MWh sold. The price increase, driven by an approximate doubling of natural gas prices, accounted for approximately two thirds of the revenue increase. A 74% increase in wholesale MWh sales, mostly attributable to increased plant availability and additional opportunities for off-peak sales, accounted for the remainder.

### KCP&L Fuel and Purchased Power

The fuel cost per MWh generated and the purchased power cost per MWh have a significant impact on the results of operations for KCP&L. Generation fuel mix can change the fuel cost per MWh generated substantially. Nuclear fuel costs per MWh generated remain substantially less than the cost of coal per MWh generated. Replacement power costs for planned Wolf Creek outages are accrued evenly over the unit's operating cycle. KCP&L expects its cost of nuclear fuel to remain fairly constant through the year 2008. Coal has a significantly lower cost per MWh generated than natural gas and oil. KCP&L's procurement strategies continue to provide delivered coal costs below the regional average. The cost per MWh for purchased power is still significantly higher than the fuel cost per MWh of coal and nuclear

43

generation. KCP&L continually evaluates its system requirements, the availability of generating units, availability and cost of fuel supply, availability and cost of purchased power and the requirements of other electric systems to provide reliable power economically. Fossil plants averaged 74% of total generation and the nuclear plant the remainder over the last three years.

Fuel costs increased \$3.4 million for the three months ended March 31, 2003, compared to the same period of 2002 primarily due to a 21% increase in net MWh generated. The increase was partially offset by lower fuel cost per MWh generated due to additional coal and less natural gas and oil in the generation fuel mix and a reduction in the cost of uranium and coal.

Purchased power expenses increased \$5.2 million for the three months ended March 31, 2003 compared to the same period of 2002 primarily due to a 70% increase in the cost per MWh purchased driven by an approximate doubling of natural gas prices.

### Consolidated KCP&L Other Operating Expenses (including operating, maintenance and general taxes)

Consolidated KCP&L's other operating expenses decreased \$7.7 million for the three months ended March 31, 2003, compared to the same period of 2002 primarily due to the following:

- o expensing in 2002 \$14.8 million of the Kansas jurisdictional portion of the January 2002 ice storm and amortizing in

- 2003 \$1.1 million of the Missouri jurisdictional portion of the ice storm
- o increased pension expense of \$3.0 million due to a significant decline in the market value of plan assets
- o increased plant maintenance expense of \$2.1 million for spring outages

### **Consolidated KCP&L Depreciation**

Consolidated KCP&L's depreciation expense decreased \$1.5 million for the three months ended March 31, 2003, compared to the same period of 2002 primarily due to the change to a 60 year life for Wolf Creek pursuant to 2002 KCC approved stipulation and agreement. The change decreased depreciation expense approximately \$1.9 million.

### **Consolidated KCP&L Interest Charges**

Consolidated KCP&L's interest charges decreased \$1.2 million for the three months ended March 31, 2003, compared to the same period of 2002 primarily due to decreased interest rates on long-term debt and decreased short-term borrowings. Additionally, KCP&L repaid \$104.0 million of medium-term notes during the first quarter of 2003.

### **Wolf Creek**

Wolf Creek, a nuclear unit, is 20% of KCP&L's base load generating capacity and 14% of KCP&L's total generating capacity, including the addition of five leased combustion turbines scheduled to go online this summer. Wolf Creek's operating performance has remained strong over the last three years, contributing an average of 26% of KCP&L's annual MWh generation while operating at an average capacity of 92%. Wolf Creek has the lowest fuel cost per MWh generated of any of KCP&L's generating units.

KCP&L accrues the incremental operating, maintenance and replacement power costs for planned outages evenly over the unit's operating cycle, normally 18 months. As actual outage expenses are incurred, the refueling liability and related deferred tax asset are reduced. Wolf Creek returned to service on April 27, 2002, following a 35-day refueling and maintenance outage that began on March 23, 2002. The next outage is scheduled for the fall of 2003 and is estimated to be approximately 35 days.

44

There has been significant opposition and delays to, development of a low-level radioactive waste disposal facility. See Note 6 to the consolidated financial statements for additional information. An inability to complete this project would require KCP&L to write-off its net investment in the project, which was \$7.4 million at March 31, 2003. KCP&L, and the other owners of Wolf Creek, could also still be required to participate in development of an alternate site.

Ownership and operation of a nuclear generating unit exposes KCP&L to risks regarding decommissioning costs at the end of the unit's life and to potential retrospective assessments and property losses in excess of insurance coverage. These risks are more fully discussed in the related sections of Note 6 to the consolidated financial statements.

## ***Strategic Energy***

### **Strategic Energy Business Overview**

Strategic Energy provides power supply coordination services by entering into long-term contracts with its customers to supply electricity that Strategic Energy purchases under long-term contracts to manage its customers' electricity needs. In return, Strategic Energy receives an ongoing management fee, which is included in the contracted sales price for the electricity. Strategic Energy operates in several electricity markets offering retail choice, including Pennsylvania, California, Ohio, New York, Massachusetts and Texas. Strategic Energy entered the Michigan market, signing its first customers during the first quarter of 2003, and is targeting expansion into New Jersey before the end of 2003. This would expand Strategic Energy's operations into eight of the sixteen states that offer retail choice. Strategic Energy also provides strategic planning and consulting services in the natural gas and electricity markets.

Great Plains Energy's indirect ownership in Strategic Energy totals 89%. In the normal course of business, Great Plains Energy and KLT Inc. enter into various agreements providing financial or performance assurance to third parties on behalf of Strategic Energy. Such agreements include, for example, guarantees, stand-by letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to Strategic Energy on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish Strategic Energy's intended business purposes.

At March 31, 2003, Strategic Energy provided power supply coordination services on behalf of approximately 33,800 commercial, institutional and small manufacturing accounts. Strategic Energy's customer base is very diverse. Strategic Energy served approximately 5,200 customers, including numerous Fortune 500 companies, smaller companies, and governmental entities. Based solely on current signed contracts and expected usage, Strategic Energy has forecasted future MWh commitments of 10.3 million for the remainder of 2003 and 8.9 million, 5.6 million, and 1.3 million for the years 2004 through 2006, respectively. Strategic Energy expects to also supply additional MWh sales in these years through growth in existing markets by re-signing existing customers and signing new customers as well as through expansion into new markets.

Strategic Energy maintains a commodity-price risk management strategy that uses forward physical energy purchases and derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility. As a result of supplying electricity to retail customers under fixed rate contracts, Strategic Energy's policy is to match customers' demand with fixed price purchases. In certain markets where Strategic Energy operates, entering into forward fixed price contracts is cost prohibitive. By entering into swap contracts for a portion of its forecasted purchases in these markets, the future purchase price of electricity is effectively fixed under these swap contracts. The swap contracts limit the unfavorable effect that price increases will have on electricity purchases. Under SFAS No. 133, all of the swap agreements are currently designated as cash flow hedges

45

resulting in the difference between the market value of energy and the hedge value being recorded as other comprehensive income (loss). At March 31, 2003, the accumulated comprehensive gain, net of income taxes and minority interest, reflected in Great Plains Energy's consolidated statements of capitalization included a \$3.5 million gain related to such cash flow hedges. However, substantially all of the energy hedged with the swaps has been sold to customers through contracts at prices different than the fair market value used to value the swaps. Therefore, Strategic Energy does not anticipate realizing the gain represented in comprehensive income.

During the third quarter of 2002, the FERC issued a Notice of Proposed Rulemaking to Remedy Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design. The proposed rulemaking is designed to establish a single non-discriminatory open access transmission tariff

with a single transmission service that is applicable to all users of the interstate transmission grid. Strategic Energy has evaluated the impact of the proposed rulemaking on its operations and provided comments to the FERC that are generally supportive of the provisions of the proposal, but suggested some changes to the proposed rule. In late April 2003, the FERC issued a white paper titled "Wholesale Power Market Platform", in response to comments received on its proposed rulemaking. In the white paper, the FERC stated its intent to require all public utilities to join an RTO or Independent System Operator (ISO). The FERC also stressed that a significant role will be played by regional authorities and state committees in setting up regional power markets. The proposal allows for phase-in implementation and sequencing tailored to each region. The FERC also indicated that divestiture is not required to achieve independent operation of the transmission system. Companies may remain vertically integrated under an RTO or ISO. Additionally, as proposed, each RTO or ISO would be required to have a clear transmission cost recovery policy outlined in its tariff. The FERC will accept comments on the white paper before issuing a final rule.

### Strategic Energy Supplier Concentration and Credit Risk

Credit risk represents the loss that Strategic Energy could incur if a counterparty failed to perform under its contractual obligations. To reduce its credit exposure, Strategic Energy enters into payment netting agreements with certain counterparties that permit Strategic Energy to offset receivables and payables with such counterparties. Strategic Energy further reduces credit risk with certain counterparties by entering into agreements that enable Strategic Energy to obtain, to terminate or to reset the terms of transactions after specified time periods or upon the occurrence of credit-related events.

Based on guidelines set by its Exposure Management Committee, Strategic Energy monitors its counterparty credit risk by evaluating the credit quality and performance of its suppliers on a routine basis. Among other things, Strategic Energy monitors counterparty credit ratings, liquidity and results of operations. As a result of these evaluations, Strategic Energy may, among other things, establish counterparty credit limits and adjust the amount of collateral required from its suppliers.

Strategic Energy enters into forward contracts with multiple suppliers. At March 31, 2003, Strategic Energy's five largest suppliers under forward supply contracts represented 68% of the total future committed purchases. In the event of supplier non-delivery or default, Strategic Energy's results of operations could be affected to the extent the cost of replacement power exceeded the combination of the contracted price with the supplier and the amount of collateral held by Strategic Energy to mitigate its credit risk with the supplier. Strategic Energy's results of operations could also be affected, in a given period, if it was required to make a payment upon termination of a supplier contract to the extent that the contracted price with the supplier exceeded the market value of the contract.

46

The following table provides information on Strategic Energy's credit exposure, net of collateral, as of March 31, 2003. It further delineates the exposure by the credit rating of counterparties and provides guidance on the concentration of credit risk and an indication of the maturity of the credit risk by credit rating of the counterparties.

Rating	Exposure Before Credit Collateral	Credit Collateral (millions)	Net Exposure	Number Of Counterparties Greater Than 10% Of Net Exposure	Net Exposure Of Counterparties Greater Than 10% of Net Exposure (millions)
<i>External rating</i>					
Investment Grade	\$ 27.3	\$ -	\$ 27.3	2	\$ 25.9
Non-Investment Grade	32.7	21.8	10.9	1	8.1
<i>Internal rating</i>					
Investment Grade	1.2	-	1.2	-	-
Non-Investment Grade	43.8	43.8	-	-	-
Total	\$ 105.0	\$ 65.6	\$ 39.4	3	\$ 34.0

### Maturity Of Credit Risk Exposure Before Credit Collateral

Rating	Less Than 2 Years	2 - 5 Years	Exposure Greater Than 5 Years (millions)	Total Exposure
<i>External rating</i>				
Investment Grade	\$ 27.0	\$ 0.3	\$ -	\$ 27.3
Non-Investment Grade	26.0	5.6	1.1	32.7
<i>Internal rating</i>				
Investment Grade	1.2	-	-	1.2
Non-Investment Grade	39.6	3.7	0.5	43.8
Total	\$ 93.8	\$ 9.6	\$ 1.6	\$ 105.0

External ratings are determined by using publicly available credit ratings of the counterparty. If a counterparty has provided a guarantee by a higher rated entity, the determination has been based on the rating of its guarantor. Internal ratings are determined by, among other things, an analysis of the counterparty's financial statements and consideration of publicly available credit ratings of the counterparty's parent. Investment grade counterparties are those with a minimum senior unsecured debt Standard & Poor's rating of BBB- or a Moody's rating of Baa3. Exposure before credit collateral has been calculated considering all netting agreements in place, netting accounts payable and receivable exposure with net mark-to-market exposure. Credit collateral includes the amount of cash deposits and letters of credit received from counterparties. Net exposure has only been calculated for those counterparties Strategic Energy is exposed to and excludes counterparties exposed to Strategic Energy.

At March 31, 2003, Strategic Energy had exposure before collateral to non-investment grade counterparties totaling \$76.5 million of which 86% is scheduled to mature in less than two years. In addition, Strategic Energy held collateral totaling \$65.6 million limiting its exposure to these non-investment grade counterparties to \$10.9 million.

Strategic Energy is continuing to pursue a strategy to shift away from national to regional counterparties that have direct supplies and assets in the region of demand. Strategic Energy is also continuing to address counterparty issues with strict margining and collateral requirements, netting of credit

47

exposures against payable balances, preferences for higher credit quality counterparties, and in some cases, replacement of lower quality counterparty contracts.

During the first quarter of 2003, Strategic Energy terminated all purchase power supply contracts with a single, non-investment grade counterparty. The effect of the termination resulted in a \$6.0 million termination payment from Strategic Energy to the terminated counterparty, representing the present value adjusted difference between the prevailing market rates at the time of termination and the original purchase power contract rates.

Simultaneous with the contract termination, Strategic Energy entered into new purchase power supply contracts with investment grade counterparties on substantially the same terms and conditions as the terminated contracts at then current market rates.

The \$6.0 million termination payment was recorded as a \$10.8 million cost of purchased power partially offset by a \$4.8 million gain on a terminated swap transaction with the counterparty that remains in other comprehensive income. The effect of the termination payment on purchased power was more than offset in the three months ended March 31, 2003, by reductions in purchased power from the sale of Strategic Energy's excess supply of electricity in the wholesale market. See Strategic Energy Purchased Power section for more information regarding the cost of purchased power. See Note 15 to the consolidated financial statements for more information concerning the termination of the swap transaction.

### Strategic Energy Results of Operations

The following table summarizes Strategic Energy's comparative results of operations.

	Three Months Ended March 31	
	2003	2002
		(millions)
Operating revenues	\$ 229.2	\$ 146.4
Purchased power	(199.9)	(125.0)
Revenues, net of purchased power	29.3	21.4
Other operating expenses	(9.4)	(7.0)
Depreciation	(0.3)	(0.2)
Operating income	19.6	14.2
Non-operating income (expenses)	(2.1)	(2.4)
Interest charges	(0.1)	(0.1)
Income taxes	(7.6)	(4.8)
Net income	\$ 9.8	\$ 6.9

Strategic Energy's earnings increased \$2.9 million for the three months ended March 31, 2003, compared to the same period of 2002, primarily due to continued growth in retail electric sales from the expansion into new markets and continued sales efforts in existing markets. In addition to continued growth, Great Plains Energy's ownership of Strategic Energy was increased by 5.8% in the fourth quarter of 2002. These increases were partially offset by increased labor and benefits as well as other general and administrative expenses and income taxes due to increased sales in states with higher income tax rates. Also, total gross margin per MWh decreased to \$7.70 for the three months ended March 31, 2003, compared to \$9.50 for the same period of 2002, primarily due to the roll-off of higher margin contracts that were obtained during periods of high volatility in late 2000 and early 2001 and increased competition.

### Strategic Energy Operating Revenues

Operating revenues from Strategic Energy increased \$82.8 million for the three months ended March 31, 2003, compared to the same period in 2002. The following table reflects Strategic Energy's operating revenues.

	Three Month Ended March 31		% Change
	2003	2002	
		(millions)	
Electric - Retail	\$ 221.5	\$ 138.8	60
Electric - Wholesale	7.4	7.2	3
Other	0.3	0.4	(25)
Total Operating Revenues	\$ 229.2	\$ 146.4	57

At March 31, 2003, Strategic Energy served approximately 5,200 customers, compared to approximately 4,000 customers at March 31, 2002. These customers represented approximately 33,800 accounts and 21,500 accounts at March 31, 2003 and 2002, respectively. Strategic Energy may provide periodic billing credits to its customers resulting from its power supply coordination efforts. The amounts credited back to the customer are treated as a reduction of retail electric revenues when determined to be payable.

Retail electric revenues increased \$82.7 million for the three months ended March 31, 2003, compared to the same period in 2002, primarily due to increased retail MWh sales, partially offset by a 6% decrease in average retail revenues per MWh. Retail MWh's sold increased *approximately* 70% to 3.8 million for the three months ended March 31, 2003, from 2.2 million for the same period in 2002, primarily from strong sales efforts in re-signing customers as well as signing new customers in markets in which Strategic Energy continued to experience favorable conditions for growth. Several factors contribute to changes in the average retail revenues per MWh, including the underlying price of the commodity, the nature and type of products offered and the mix of sales by geographic market.

### Strategic Energy Purchased Power

To supply its retail contracts, Strategic Energy purchases long-term blocks of electricity under forward contracts in fixed quantities at fixed prices from power suppliers based on projected usage. Strategic Energy sells any excess retail supply of electricity back into the wholesale market. The proceeds from the sale of excess supply of electricity is recorded as a reduction of purchased power. The amount of excess retail supply sales that reduced purchased power for the three months ended March 31, 2003 was \$54.0 million, compared to \$21.3 million for the same period in 2002.

As previously discussed, Strategic Energy operates in several retail choice electricity markets. The cost of supplying electricity to retail customers can vary widely by geographic market. This variability can be affected by many factors including, among other items, geographic differences in the cost per MWh of purchased power and capacity charges due to regional purchased power availability and requirements of other electricity providers and differences in transmission charges. However, Strategic Energy has mitigated the effects of higher supply costs by entering into long-term, full-requirements contracts with customers that are priced to the customers based on the cost of the associated supply contract.

Purchased power increased \$74.9 million for the three months ended March 31, 2003, compared to the same period in 2002, primarily due to the 70% increase in MWh purchases to supply the increase in retail MWh sales discussed above. This increase was partially offset by a 4% decrease in the cost per MWh of purchased power.

49

### **Strategic Energy Other Operating Expenses**

Strategic Energy's other operating expenses as a percentage of operating revenues decreased to 4.1% for the three months ended March 31, 2003 from 4.8% for the same period in 2002, due to Strategic Energy's efforts in leveraging its infrastructure and the effects of achieving economies of scale. Strategic Energy continued to experience increased labor and benefits as well as other general and administrative expenses for the three months ended March 31, 2003, compared to the same period in 2002. The increase is primarily due to higher labor and benefit costs from the addition of employees and increasing health care related costs, higher profit sharing and deferred compensation expense which are tied to earnings and financial performance, and higher other general and administrative expenses associated with higher sales volumes, geographic market expansion, and regulatory and market development initiatives.

## **KLT Gas**

### **KLT Gas Business Overview**

KLT Gas is focused on exploring for, developing and producing unconventional natural gas resources, including coalbed methane properties. KLT Gas believes that unconventional natural gas resources provide an economically attractive alternative source of supply to meet the growing demand for natural gas in North America. Additionally, KLT Gas' management team has experience and expertise in identifying, testing and producing unconventional natural gas properties and, as a result, it believes its expertise provides a competitive advantage in this niche of the exploration and production sector.

Although gas prices have been volatile historically, KLT Gas continues to believe that the long-term future price scenarios for natural gas appear strong. Environmental concerns, especially air quality, and the increased demand for natural gas for new electric generating capacity are contributing to this projected growth in demand.

KLT Gas' leased properties are primarily located in Colorado, Kansas and Wyoming with some leases in Nebraska and Texas. These leased properties cover approximately 237,000 undeveloped acres. The testing of this acreage is in accordance with KLT Gas' exploration plan and capital budget. The timing of the testing may vary from current plans based upon obtaining the required environmental and regulatory approvals and permits and future changes in market conditions.

In March 2003, KLT Gas completed the sale of approximately 30,000 undeveloped acres in Kansas. KLT Gas follows the full cost accounting method for its natural gas properties, under which the acreage sale is accounted for as an adjustment to capitalized costs with the gain not recognized in earnings.

During the first quarter of 2003, KLT Gas leased additional acreage in the Rocky Mountain region. Exploration of the newly acquired acreage is anticipated to begin during the second half of 2003. In addition, KLT Gas continued to test a new prospect in Colorado as well as the development of a pilot project in the Powder River Basin and two additional projects in the Rocky Mountain region.

50

### **KLT Gas Results of Operations**

The following table summarizes KLT Gas' comparative results of operations.

		Three Months Ended March 31	
	2003	(millions)	2002
Operating revenues	\$ 0.4		\$ 0.2
Other operating expenses	(1.5)		(2.5)
Depreciation and depletion	(0.3)		(0.3)
Loss on property	(9.0)		(0.1)
Operating income (loss)	(10.4)		(2.7)
Non-operating income (expenses)	-		0.3
Interest charges	(0.2)		-
Income taxes	4.1		2.3
Net loss	\$ (6.5)		\$ (0.1)

KLT Gas' loss for the three months ended March 31, 2003, increased \$6.4 million compared to the same period of 2002. Throughout 2002 and the first quarter of 2003, KLT Gas has been developing and testing gas properties, as well as continuing production at its South Texas properties. KLT Gas' net loss for the three months ended March 31, 2003, includes an impairment of \$9.0 million on a Rocky Mountain project, which reduced earnings by \$5.5 million. The impairment was in response to lower revised estimates of future gas production from that property.

### **KLT Gas Income Taxes**

KLT Gas recorded tax credits related to its investment in natural gas properties of \$1.4 million for the three months ended March 31, 2002. The law that allowed substantially all of these credits expired at the end of 2002.

### **Other Non Regulated Activities**

### **Investment in Affordable Housing Limited Partnerships — KLT Investments**

KLT Investments Inc.'s (KLT Investments) earnings for the three months ended March 31, 2003, totaled \$2.4 million (including an after tax reduction of \$1.5 million in its affordable housing investment) compared to earnings of \$0.5 million for the three months ended March 31, 2002 (including an after tax reduction of \$3.4 million in its affordable housing investment). KLT Investments' earnings include accrued tax credits of \$4.8 million in both the three months ended March 31, 2003 and 2002.

At March 31, 2003, KLT Investments had \$65.5 million in affordable housing limited partnerships. Approximately 66% of these investments were recorded at cost; the equity method was used for the remainder. Tax expense is reduced in the year tax credits are generated. The investments generate future cash flows from tax credits and tax losses of the partnerships. The investments also generate cash flows from the sales of the properties. For most investments, tax credits are received over ten years. KLT Investments projects tax credits to run through 2009. A change in accounting principle relating to investments made after May 19, 1995, requires the use of the equity method when a company owns more than 5% in a limited partnership investment. Of the investments recorded at cost, \$42.1 million exceed this 5% level but were made before May 19, 1995. KLT Investments' management does not anticipate making additional investments in affordable housing limited partnerships at this time.

51

On a quarterly basis, KLT Investments compares the cost of those properties accounted for by the cost method to the total of projected residual value of the properties and remaining tax credits to be received. Estimated residual values are based on studies performed by an independent firm. Based on the latest comparison, pretax reductions in affordable housing investments were \$2.3 million and \$5.3 million for the three months ended March 31, 2003 and 2002, respectively. Pretax reductions in affordable housing investments are estimated to be \$10 million for the remainder of 2003 and \$7 million, \$10 million, and \$3 million for the years 2003 through 2006, respectively. These projections are based on the latest information available but the ultimate amount and timing of actual reductions could be significantly different from the above estimates. The properties underlying the partnership investment are subject to certain risks inherent in real estate ownership and management. Even after these estimated reductions, earnings from the investments in affordable housing are expected to be positive for the years 2003 through 2006.

### **Subsidiary of KLT Telecom Files for Bankruptcy — DTI**

The accounting treatment related to DTI and its 2001 bankruptcy is complex and is addressed in greater detail in Note 19 to the consolidated financial statements of the Companies' 2002 annual report on Form 10-K. Additionally, Note 7 of the consolidated financial statements in this quarterly report on Form 10-Q is incorporated by reference in this portion of Management's Discussion and Analysis. Both notes should be read as a component of this discussion.

On December 31, 2001, a subsidiary of KLT Telecom, Holdings and its subsidiaries, Digital Teleport and Digital Teleport of Virginia, Inc., filed separate voluntary petitions in Bankruptcy Court for the Eastern District of Missouri for reorganization under Chapter 11 of the U.S. Bankruptcy Code which cases have been procedurally consolidated. Holdings and its two subsidiaries are collectively called "DTI".

In December 2002, Digital Teleport entered into an agreement to sell substantially all of its assets (Asset Sale) to CenturyTel Fiber Company II, LLC (CenturyTel), a nominee of CenturyTel, Inc. (Asset Purchase Agreement). The Asset Sale was approved by the Bankruptcy Court on February 13, 2003, but the Asset Purchase Agreement contains conditions to closing which include among other items the receipt of all necessary regulatory approvals, which must either be satisfied or waived by July 15, 2003.

In the Digital Teleport bankruptcy case, KLT Telecom, KLT Inc., KCP&L, Great Plains Energy, Digital Teleport and the Official Unsecured Creditors Committee of Digital Teleport entered into a Settlement Agreement as of December 23, 2002 (Teleport Settlement Agreement). The Teleport Settlement Agreement provides that unsecured creditors will receive up to 90 cents on each dollar of approved claims after the consummation of the Asset Sale, and that the remaining estate balance after the payment of administrative expenses and all other claims will be distributed to KLT Telecom. The Teleport Settlement Agreement, if approved by the Bankruptcy Court, resolves all material issues and disputes among the parties to that agreement.

In addition, in the Holdings bankruptcy case, KLT Telecom, KLT Inc., Great Plains Energy, KCP&L, Holdings, The Bank of New York (as trustee of an Indenture, as amended, relating to the senior discount notes issued by Holdings) (Trustee) and three principal noteholders of Holdings (the Noteholders) entered into a Settlement Agreement and Plan Term Sheet as of March 14, 2003 (Holdings Settlement Agreement). The Holdings Settlement Agreement provides, among other things, for the payment by KLT Telecom to the Holdings bankruptcy estate of approximately \$13.8 million from the distribution that KLT Telecom will receive under the Teleport Settlement Agreement. The Holdings Settlement Agreement, if approved by the Bankruptcy Court, resolves all material issues and disputes that may exist among the parties to that agreement.

52

The Teleport Settlement Agreement and the Holdings Settlement Agreement are incorporated into a joint Chapter 11 plan filed by the three DTI entities. It is anticipated that the plan will be voted upon, and ultimately subject to confirmation by the Bankruptcy Court at a hearing on June 9, 2003.

Because of DTI's bankruptcy filings, KLT Telecom no longer has control over nor can it exert significant influence over DTI. As a consequence, as of December 31, 2001, DTI was de-consolidated and is presented on the cost basis. Consequently, KLT Telecom did not include in its financial results the ongoing results of operations, earnings or losses incurred by DTI since December 31, 2001, and will not do so during the remaining period of the DTI bankruptcy proceedings.

### **Significant Balance Sheet Changes**

#### **(March 31, 2003 compared to December 31, 2002)**

- o Great Plains Energy's restricted cash and supplier collateral increased \$59.9 million due to cash collateral provided to Strategic Energy from suppliers to cover portions of credit exposure.
- o Great Plains Energy's receivables decreased \$26.5 million primarily due to a \$6.1 million decrease in Strategic Energy's receivables as a result of enhanced collection initiatives implemented during the first quarter of 2003. Additionally, consolidated KCP&L's receivables decreased \$12.6 million primarily due to the seasonal nature of the utility business.
- o Great Plains Energy and consolidated KCP&L's regulatory assets increased \$18.2 million primarily due to an \$82.7 million increase in KCP&L's regulatory assets due to the cumulative effect of adopting SFAS No. 143 on January 1, 2003, and KCP&L's ability to defer items on the balance sheet resulting from the effects of the ratemaking process. This increase was partially off set by a \$64.6 million decrease due to KCP&L's reclassification of accrued nuclear decommissioning costs to a contra regulatory asset as these amounts have already been considered in the ratemaking process.
- o Great Plains Energy's notes payable increased \$104.9 million primarily due to Great Plains Energy's additional

borrowings of \$112.0 million on its short-term credit facility that were primarily used to make a \$100.0 million capital contribution to KCP&L.

- o Great Plains Energy and consolidated KCP&L's current maturities of long-term debt decreased \$104.0 million primarily due to KCP&L redeeming medium-term notes with proceeds from the capital contribution from Great Plains Energy.
- o Great Plains Energy and consolidated KCP&L's asset retirement obligation increased due to the adoption of SFAS No. 143 on January 1, 2003.
- o Great Plains Energy and consolidated KCP&L's accrued nuclear decommissioning costs decreased \$64.6 million due to KCP&L reclassifying accrued nuclear decommissioning cost to a contra regulatory asset due to the adoption of SFAS No. 143 on January 1, 2003, and the effects of the ratemaking process.

### Capital Requirements and Liquidity

Great Plains Energy operates through its subsidiaries and has no material assets other than the stock of its subsidiaries. Great Plains Energy's ability to make payments on its debt securities and its ability to pay dividends is dependent on its receipt of dividends from its subsidiaries and proceeds from the sale of its securities.

Great Plains Energy's capital requirements are principally comprised of KCP&L's utility capital expenditures, KLT Gas' capital expenditures, and KCP&L's pension benefit plan funding requirements discussed below. Additional cash and capital requirements for the companies, including long-term debt requirements, are discussed below.

Great Plains Energy's liquid resources at March 31, 2003, included cash flows from operations of subsidiaries, \$105.8 million cash and cash equivalents on hand and \$255.0 million of unused bank lines of credit. The unused lines consisted of \$126.0 million from KCP&L's short-term bank lines of credit,

53

\$30.0 million from Strategic Energy's bank line of credit, and \$99.0 million from Great Plains Energy's revolving credit facilities. See the debt agreements section below for more information on these agreements.

Great Plains Energy and consolidated KCP&L generated positive cash flows from operating activities for the periods presented. The increase in cash flows from operating activities for Great Plains Energy and consolidated KCP&L for the three months ended March 31, 2003, compared to the same period of 2002 is due to increased net income before non-cash expenses and the changes in working capital detailed in Note 2 to the consolidated financial statements. The individual components of working capital vary with normal business cycles and operations. Also, the timing of the Wolf Creek outage affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel.

Great Plains Energy's and consolidated KCP&L's cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility property. Investing activities are offset by the proceeds from the sale of properties and insurance recoveries. Utility capital expenditures and the allowance for borrowed funds used during construction decreased \$7.3 million for the three months ended March 31, 2003, compared to 2002 primarily due to \$12.5 million of capital expenditures as a result of the January 2002 ice storm.

The change in Great Plains Energy and consolidated KCP&L's cash flows from financing activities reflects the equity infusion of \$100.0 million from Great Plains Energy to KCP&L and KCP&L's subsequent redemption of \$104.0 million of medium-term notes. Great Plains Energy essentially funded the infusion with proceeds from its common stock offering in late 2002; however, prior to the infusion, Great Plains Energy used the offering proceeds to repay short-term borrowings in late 2002 and then re-borrowed in the first quarter of 2003 to make the equity infusion into KCP&L at the time of redemption. The increase in dividends paid by Great Plains Energy is primarily attributable to the public offering of 6.9 million of common shares in late 2002.

KCP&L expects to meet day-to-day operating requirements including interest payments, construction requirements (excluding new generating capacity) and dividends with internally-generated funds. However, it might not be able to meet these requirements with internally-generated funds because of the effect of inflation on operating expenses, the level of MWh sales, regulatory actions, compliance with future environmental regulations and the availability of generating units. The funds Great Plains Energy and consolidated KCP&L need to retire maturing debt (detailed below) will be provided from operations, the issuance of long and short-term debt and/or the issuance of equity or equity-linked instruments. In addition, the Company may issue debt, equity and/or equity-linked instruments to finance growth or take advantage of new opportunities.

Great Plains Energy filed a registration statement in April 2002 for the issuance of an aggregate amount up to \$300 million of any combination of senior debt securities, subordinated debt securities, trust preferred securities, convertible securities, or common stock. The registration statement became effective in November 2002 and Great Plains Energy issued \$151.8 million of common stock. The proceeds were used for repayment of debt and general corporate purposes.

As a registered public utility holding company, Great Plains Energy must receive authorization from the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (35 Act) to issue equity or debt. Great Plains Energy is currently authorized to issue up to \$450.0 million of debt and equity. Great Plains Energy has utilized \$423.8 million of this amount as follows: (i) \$39.0 million in preferred stock issued in connection with the October 1, 2001, reorganization; (ii) \$225.0 million in revolving credit facilities and (iii) \$159.8 million in common equity issued in a public offering and in connection with IEC's acquisition of an indirect ownership interest in Strategic Energy. Great

54

Plains Energy has filed an application with the SEC seeking an additional \$750 million in authorization and anticipates the SEC will act on the application in 2003.

KCP&L is planning to file a registration statement for up to \$255 million in debt securities in the current year. This will preserve KCP&L's flexibility to access the capital markets for long-term debt if required.

KCP&L has entered into a revolving agreement, which expires in October 2003, to sell all of its right, title and interest in the majority of its customer accounts receivable to Receivables Company, which in turn sells most of the receivables to outside investors. KCP&L expects the agreement to be renewed annually. See Note 4 to the consolidated financial statements.

### Debt Agreements

Great Plains Energy syndicated a \$225 million, revolving credit facility with a group of banks in the first quarter of 2003. This facility replaced a \$205 million

syndicated facility and a \$20 million credit facility with a bank. The line has a 364-day term but may be extended for an additional year at the Company's option. The facility contains a MAC clause that requires Great Plains Energy to represent, prior to receiving funding, that no MAC has occurred. The clause does, however, permit the Company to access the facility even in the event of a MAC in order to redeem maturing commercial paper. Available liquidity under this facility is not impacted by a decline in credit ratings unless the downgrade occurs in the context of a merger, consolidation or sale. A default by Great Plains Energy or any of its significant subsidiaries of material other indebtedness totaling more than \$25.0 million is a default under this bank line. Under the terms of this agreement, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio not greater than 0.65 to 1.0 at all times and an interest coverage ratio greater than 2.25 to 1.0. At March 31, 2003, the Company was in compliance with these covenants.

Strategic Energy has a \$30 million bank line of credit which matures in May 2003. The line of credit contains a MAC clause that requires Strategic Energy to represent, prior to receiving any funding, that no MAC has occurred. Strategic Energy is currently negotiating a \$95 million, 364-day senior secured revolving credit facility. The new facility will replace the \$30 million bank line of credit and a \$25 million letter of credit facility. The increase will enhance Strategic Energy's liquidity including its ability to provide credit support for purchased power and regulatory requirements.

KCP&L's primary sources of liquidity are cash flows from operations and bilateral credit lines totaling \$126.0 million with six banks (as of March 31, 2003). KCP&L uses these lines to provide support for its issuance of commercial paper, none of which was outstanding at March 31, 2003. These bank facilities are each for a 364-day term and mature at various times throughout the year. Five of the facilities totaling \$111.0 million can be extended for one year under their term out provisions. KCP&L has MAC clauses in two agreements covering \$50.0 million of available bilateral credit lines. These two facilities require KCP&L to represent, prior to receiving funding, that no MAC has occurred. Under one of these agreements totaling \$35 million, KCP&L is able to access the facility even in the event of a MAC in order to redeem maturing commercial paper. KCP&L's available liquidity under these facilities is not impacted by a decline in credit ratings unless the downgrade occurs in the context of a merger, consolidation or sale. A default by KCP&L on other indebtedness is a default under these bank line agreements. Under the terms of certain bank line agreements, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio not greater than 0.65 to 1.0 at all times. At March 31, 2003, the Company was in compliance with the covenant.

RSAE has a \$25 million line of credit with a bank. The facility was renewed in March 2003 for another 364-day term. Great Plains Energy ensures adequate capital to operate RSAE through an agreement supporting this facility. At March 31, 2003, the facility was fully drawn. In early May 2003, the facility was increased to \$27 million.

55

Under the indenture relating to KCP&L's 8.3% Junior Subordinated Deferrable Interest Debentures, due 2037 (Debentures), which are held by KCP&L Financing I, KCP&L may not declare or pay any dividends on any shares of its capital stock if at the time (i) there is an event of default (as defined in the indenture), (ii) KCP&L is in default with respect to its payment of any obligations under its guarantee of preferred securities issued by KCP&L Financing I, or (iii) KCP&L has elected to defer payments of interest on the Debentures.

Great Plains Energy has agreements with KLT Investments associated with notes KLT Investments issued to acquire its affordable housing investments. Great Plains Energy has agreed not to take certain actions including, but not limited to, merging, dissolving or causing the dissolution of KLT Investments, or withdrawing amounts from KLT Investments if the withdrawals would result in KLT Investments to not be in compliance with minimum net worth and cash balance requirements. The agreements also give KLT Investments' lenders the right to have KLT Investments repurchase the notes if Great Plains Energy's senior debt rating falls below investment grade, or if Great Plains Energy ceases to own at least 80% of KCP&L's stock. At March 31, 2003, KLT Investments had \$19.7 million in outstanding notes, including current maturities.

Pursuant to agreements with the MPSC and the KCC, KCP&L maintains its common equity at not less than 35% of total capitalization. Additionally, Great Plains Energy maintains its consolidated common equity at not less than 30% of total consolidated capitalization.

#### **Pensions**

KCP&L maintains defined benefit plans for substantially all of its employees. KCP&L's policy is to fund the plan on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants consistent with the funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions of \$1.6 million and \$1.0 million were made in 2002 and 2001, respectively.

Due to sharp declines in the debt and equity markets since the third quarter of 2000, the value of assets held in the trusts to satisfy pension plan obligations has decreased significantly. As a result, under the minimum funding requirements of ERISA, KCP&L will be required to fund approximately \$9.8 million (\$7.3 million was funded in April 2003) and \$21.3 million during 2003 and 2004, respectively. Management believes KCP&L has adequate access to capital resources through cash flows from operations or through existing lines of credit to support this funding.

Participants in the plans may request a lump-sum cash payment upon termination of their employment, which could result in increased cash requirements from pension plan assets and KCP&L being required to accelerate future funding. While it is difficult to estimate future cash requirements due to uncertain market conditions and other factors, additional funding may be required in future years.

Under the terms of the pension plans, KCP&L reserves the right to amend or terminate the plans, and from time to time benefits have changed.

#### **Supplemental Capital Requirements and Liquidity Information**

Great Plains Energy's other long-term obligations, net increased approximately 5% at March 31, 2003, over the \$1,466.3 million level at December 31, 2002, reflecting increases in 2004 and 2005 for new Strategic Energy purchased power contracts. All other contractual cash obligations for Great Plains Energy and consolidated KCP&L were relatively unchanged at March 31, 2003, compared to December 31, 2002.

#### **Guarantees**

In the normal course of business, Great Plains Energy and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain

56

subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended business purposes.

As prescribed in FASB Interpretation No. 45, the Company began recording a liability for the fair value of obligations it undertakes for guarantees issued after December 31, 2002. The interpretation does not encompass guarantees of the Company's own future performance, such as Great Plains Energy's guarantees to support Strategic Energy power purchases and regulatory requirements. KCP&L began recording an immaterial amount for the fair value of guarantees issued in 2003 for the residual value of vehicles and heavy equipment under an operating lease.

Great Plains Energy's total guarantees at March 31, 2003, decreased \$14.7 million from the December 31, 2002, total of \$241.0 million reflecting a decrease in the credit support guarantees Great Plains Energy provides on behalf of Strategic Energy for its power purchases and regulatory requirements.

### **Environmental Matters**

KCP&L's operations are subject to regulation by federal, state and local authorities with regard to air and other environmental matters. The generation and transmission of electricity produces and requires disposal of certain hazardous products which are subject to these laws and regulations. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. Failure to comply with these laws and regulations could have a material adverse effect on KCP&L.

KCP&L operates in an environmentally responsible manner and seeks to use current technology to avoid and treat contamination. KCP&L regularly conducts environmental audits designed to ensure compliance with governmental regulations and to detect contamination. Governmental bodies, however, may impose additional or more restrictive environmental regulations that could require substantial changes to operations or facilities at a significant cost. See Note 6 to the consolidated financial statements.

57

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Great Plains Energy and consolidated KCP&L are exposed to market risks associated with commodity price and supply, interest rates and equity prices. Market risks are handled in accordance with established policies, which may include entering into various derivative transactions. In the normal course of business, Great Plains Energy and consolidated KCP&L also face risks that are either non-financial or non-quantifiable. Such risks principally include business, legal, operational and credit risks and are not represented in the following analysis.

Great Plains Energy and consolidated KCP&L interim period disclosures about market risk included in quarterly reports on Form 10-Q address material changes, if any from the most recently filed annual report on Form 10-K. Therefore, interim period disclosures should be read in connection with the quantitative and qualitative disclosures about market risk included in our 2002 combined annual report on Form 10-K. There have been no material changes in Great Plains Energy's or consolidated KCP&L's market risk since December 31, 2002.

## **ITEM 4. CONTROLS AND PROCEDURES**

Within 90 days in advance of the filing of this report, Great Plains Energy and KCP&L carried out evaluations, under the supervision and with the participation of each company's management, including the chief executive officer and chief financial officer of those companies and the disclosure committee, of the effectiveness of the companies' disclosure controls and procedures. Based upon these evaluations, the chief executive officer and chief financial officer of Great Plains Energy and KCP&L have concluded that the disclosure controls and procedures of those companies are functioning effectively to provide reasonable assurance that the information required to be disclosed by those companies in the reports that they file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes to Great Plains Energy's or KCP&L's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation described above.

58

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On December 31, 2001, a subsidiary of KLT Telecom, DTI Holdings, Inc. (Holdings) and its subsidiaries Digital Teleport, Inc. (Digital Teleport) and Digital Teleport of Virginia, Inc. filed separate voluntary petitions in the Bankruptcy Court for the Eastern District of Missouri for reorganization under Chapter 11 of the U.S. Bankruptcy Code in Case Nos. 01-54369-399, 01-54370-399 and 01-54371-399. These cases have been consolidated for joint procedural administration. Holdings and its two subsidiaries are collectively called "DTI". KLT Telecom is a creditor in the proceedings, and KCP&L has an immaterial trade claim in the Digital Teleport bankruptcy proceedings. KLT Telecom agreed to provide up to \$5 million in debtor-in-possession financing (DIP Loan) to Digital Teleport for a term of 18 months during the bankruptcy process if it achieves certain financial goals. The Bankruptcy Court approved the DIP Loan on February 18, 2002, but no advances have been made under the DIP Loan to date.

On January 14, 2003, Digital Teleport announced it had filed with the Bankruptcy Court a settlement agreement among KLT Telecom, KLT Inc., Great Plains Energy, KCP&L, Digital Teleport and the Official Unsecured Creditors Committee of Digital Teleport (Creditors Committee) that will provide unsecured creditors up to 90 cents on each dollar of approved claims after the consummation of the asset sale described in the next paragraph (Teleport Settlement Agreement). Under the Teleport Settlement Agreement, Digital Teleport will distribute to KLT Telecom the remaining estate balance after the payment of administrative expenses and all other claims. The Teleport Settlement Agreement also provides that Digital Teleport, the Creditors Committee and certain Creditors Committee members will release claims and possible causes of action against KLT Telecom, KLT Inc., Great Plains Energy, KCP&L and all other entities currently or previously a member of the Great Plains Energy or KCP&L consolidated tax group, and creditors receiving payments will be deemed to receive such payments in full satisfaction of their claims against Digital Teleport. In addition, KLT Telecom will receive an assignment of claims of Digital Teleport, the Creditors Committee and the bankruptcy estate of Digital Teleport against any officer or director of Digital Teleport, or any other person or entity.

On February 13, 2003, the Bankruptcy Court approved Digital Teleport's sale of substantially all of its assets to CenturyTel Fiber Company II, LLC (Asset Sale) for \$38 million, subject to certain closing adjustments, \$3.8 million of which will be escrowed (Escrow Funds). The Asset Sale is subject to conditions to closing which include, among other items, the receipt of all necessary regulatory approvals, which must either be satisfied or waived by July 15, 2003.

On March 14, 2003, KLT Telecom, KLT Inc., Great Plains Energy, KCP&L, Holdings, The Bank of New York (as trustee of an Indenture, as amended, relating to the senior discount notes issued by Holdings) (the Trustee) and three principal noteholders of Holdings (the Noteholders) entered into a Settlement Agreement and Plan Term Sheet (Holdings Settlement Agreement) resolving all material issues and disputes that may exist among the parties to the Holdings Settlement Agreement. Under the Holdings Settlement Agreement, KLT Telecom agreed to pay to the Holdings bankruptcy estate the sum of approximately \$13.8 million from the distribution that KLT Telecom will receive under the Teleport Settlement Agreement for distribution to unsecured creditors of Holdings. In addition, Holdings, the Trustee and the Noteholders will release claims and possible causes of action against KLT Telecom, KLT Inc., Great Plains Energy, KCP&L and all other entities currently or previously a member of the Great Plains Energy or KCP&L consolidated tax group, and creditors receiving payments will be deemed to receive such payments in full satisfaction of their claims against Holdings. Further, KLT Telecom will receive an assignment of claims of Holdings, the Trustee and the Noteholders against any officer or director of Holdings, or any other person or entity.

The Teleport Settlement Agreement and the Holdings Settlement Agreement are incorporated into a joint bankruptcy plan filed by DTI on April 1, 2003. It is anticipated that the plan will be voted upon, and ultimately subject to confirmation by the Bankruptcy Court at a hearing on June 9, 2003. The plan contemplates that DTI will be liquidated after distribution of those companies' assets to their creditors pursuant to the plan. For further information regarding the DTI bankruptcy proceedings, see Note 7 to the consolidated financial statements, which is incorporated by reference.

**ITEM 5. OTHER INFORMATION**

On April 1, 2003, Great Plains Energy formed Great Plains Energy Services Incorporated (Services), which will provide services at cost to Great Plains Energy and certain of its subsidiaries, including KCP&L, as a service company under the 35 Act. Approximately 400 KCP&L employees were transferred to Services. Great Plains Energy does not anticipate any material financial or operational effects on the Company or KCP&L resulting from the creation of Services and the transfer of KCP&L employees.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

**EXHIBITS**

**Great Plains Energy Documents**

Exhibit Number	Description of Document
10.1.a +	Conforming Amendment to Indemnification Agreement with each officer and director.
10.1.b +	Conforming Amendment to Severance Agreements with certain executive officers.
10.1.c	Credit Agreement dated as of March 7, 2003, by and among Great Plains Energy Incorporated, Bank One, NA, BNP Paribas, The Bank of New York, LaSalle Bank National Association, The Bank of Nova Scotia, Bank of America, N.A., PNC Bank, National Association, Cobank, ACB, U.S. Bank, National Association and Merrill Lynch Bank USA.
10.1.d	Settlement Agreement and Plan Term Sheet dated as of March 14, 2003, by and between DTI Holdings, Inc., KLT Telecom Inc., KLT Inc., Great Plains Energy Incorporated, Kansas City Power & Light Company, Oaktree Capital Management, LLC, The Bank of New York, First Plaza Contrarian Capital Advisors and Pacholder Associates Inc.
10.1.e	First Amended and Restated Joint Plan under Chapter 11 of the United States Bankruptcy Code, dated March 31, 2003, of Digital Teleport, Inc., DTI Holdings, Inc. and Digital Teleport of Virginia, Inc.
10.1.f	Guaranty issued by Great Plains Energy Incorporated in favor of Coral Power, L.L.C., dated as of September 12, 2002, and First Amendment to Guaranty by and between Great Plains Energy Incorporated and Coral Power, L.L.C. dated as of March 7, 2003.

10.1.g	Guaranty issued by Great Plains Energy Incorporated in favor of The Cincinnati Gas & Electric Company, dated as of January 1, 2003, and First Amendment to Guaranty by and between Great Plains Energy Incorporated and The Cincinnati Gas & electric Company, dated as of March 7, 2003.
99.1	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Great Plains Energy agrees to furnish to the Securities and Exchange Commission upon request any instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of total assets of Great Plains Energy and its subsidiaries on a consolidated basis.

+ Indicates management contract or compensatory plan or arrangement.

Copies of any of the exhibits filed with the SEC in connection with this document may be obtained from Great Plains Energy upon written request.

**Kansas City Power & Light Company Documents**

Exhibit Number	Description of Document
99.2	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Kansas City Power & Light Company agrees to furnish to the Securities and Exchange Commission upon request any instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of total assets of Kansas City Power & Light Company and its subsidiaries on a consolidated basis.

**REPORTS ON FORM 8-K**

**Great Plains Energy Incorporated**

Great Plains Energy Incorporated filed on March 14, 2003, a report on Form 8-K dated March 13, 2003, including a press release regarding the retirement of Bernard J. Beaudoin, Chairman of the Board, President and Chief Executive Officer of Great Plains Energy Incorporated and Chairman of the Board and Chief Executive Officer of Kansas City Power & Light Company effective by year-end.

Great Plains Energy Incorporated filed on April 16, 2003, a report on Form 8-K dated April 15, 2003, furnishing a press release regarding pre-earnings release information.

Great Plains Energy Incorporated filed on April 24, 2003, a report on Form 8-K dated April 23, 2003, furnishing a press release regarding 2003 first quarter earnings information and accompanying financials.

61

**Kansas City Power & Light Company**

Kansas City Power & Light Company filed on March 14, 2003, a report on Form 8-K dated March 13, 2003, including a press release regarding the retirement of Bernard J. Beaudoin, Chairman

of the Board, President and Chief Executive Officer of Great Plains Energy Incorporated and Chairman of the Board and Chief Executive Officer of Kansas City Power & Light Company effective by year-end.

Kansas City Power & Light Company filed on April 16, 2003, a report on Form 8-K dated April 15, 2003, furnishing a press release regarding pre-earnings release information.

Kansas City Power & Light Company filed on April 24, 2003, a report on Form 8-K dated April 23, 2003, furnishing a press release regarding 2003 first quarter earnings information and accompanying financials.

62

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Great Plains Energy Incorporated and Kansas City Power & Light Company have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**GREAT PLAINS ENERGY INCORPORATED**

Dated: May 9, 2003

By: /s/Bernard J. Beaudoin  
(Bernard J. Beaudoin)  
(Chief Executive Officer)

Dated: May 9, 2003

By: /s/Lori A. Wright  
(Lori A. Wright)  
(Principal Accounting Officer)

**KANSAS CITY POWER & LIGHT COMPANY**

Dated: May 9, 2003

By: /s/Bernard J. Beaudoin  
(Bernard J. Beaudoin)  
(Chief Executive Officer)

Dated: May 9, 2003

By: /s/Lori A. Wright  
(Lori A. Wright)  
(Principal Accounting Officer)

63

**CERTIFICATIONS**

I, Bernard J. Beaudoin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Plains Energy Incorporated;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

By: /s/Bernard J. Beaudoin  
Bernard J. Beaudoin  
Chairman of the Board, President and  
Chief Executive Officer

64

#### CERTIFICATIONS

I, Andrea F. Bielsker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Plains Energy Incorporated;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

By: /s/Andrea F. Bielsker  
Andrea F. Bielsker  
Senior Vice President - Finance, Chief  
Financial Officer and Treasurer

65

### CERTIFICATIONS

I, Bernard J. Beaudoin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kansas City Power & Light Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

By: /s/Bernard J. Beaudoin  
Bernard J. Beaudoin  
Chairman of the Board and  
Chief Executive Officer

66

### CERTIFICATIONS

I, Andrea F. Bielsker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kansas City Power & Light Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

By: /s/Andrea F. Bielsker  
Andrea F. Bielsker  
Senior Vice President - Finance, Chief  
Financial Officer and Treasurer

**Amendment No. 1 to  
Indemnification Agreement**

This Amendment No. 1 to the Indemnification Agreement dated \_\_\_\_\_, between Kansas City Power & Light Company, and \_\_\_\_\_, is being made effective as of October 1, 2001, to reflect the completion by Kansas City Power & Light Company, a Missouri corporation ("KCPL"), of a corporate restructuring to create a holding company structure. On October 1, 2001, KCPL entered into an agreement and plan of merger among KCPL, Great Plains Energy Incorporated, a Missouri corporation ("GPE"), and KCPL Merger Sub Incorporated, a Missouri corporation ("Merger Sub") and wholly owned subsidiary of GPE. As a result of the merger, KCPL became a direct wholly owned subsidiary of GPE. Immediately following the merger, GPE became the successor of KCPL with respect to the rights and obligations of Kansas City Power & Light Company under the Indemnification Agreement.

**GREAT PLAINS ENERGY INCORPORATED**

By:        /s/Bernard J. Beaudoin  
              Bernard J. Beaudoin

**KANSAS CITY POWER & LIGHT COMPANY**

By:        /s/Bernard J. Beaudoin  
              Bernard J. Beaudoin

**OFFICER:**

---

**Amendment No. 1 to  
[Restated] Severance Agreement**

This Amendment No. 1 to the [Restated] Severance Agreement dated \_\_\_\_\_ between Kansas City Power & Light Company, and \_\_\_\_\_, is being made effective as of October 1, 2001, to reflect the completion by Kansas City Power & Light Company, a Missouri corporation ("KCPL"), of a corporate restructuring to create a holding company structure. On October 1, 2001, KCPL entered into an agreement and plan of merger among KCPL, Great Plains Energy Incorporated, a Missouri corporation ("GPE"), and KCPL Merger Sub Incorporated, a Missouri corporation ("Merger Sub") and wholly owned subsidiary of GPE. As a result of the merger, KCPL became a direct wholly owned subsidiary of GPE. Immediately following the merger, GPE became the successor of KCPL with respect to the rights and obligations of Kansas City Power & Light Company under the (AgreementName) Agreement.

**GREAT PLAINS ENERGY INCORPORATED**

By: /s/Bernard J. Beaudoin  
Bernard J. Beaudoin

**KANSAS CITY POWER & LIGHT COMPANY**

By: /s/Bernard J. Beaudoin  
Bernard J. Beaudoin

**OFFICER:**

\_\_\_\_\_

Subscribed and Sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

## CREDIT AGREEMENT

Dated as of March 7, 2003

among

GREAT PLAINS ENERGY INCORPORATED,

CERTAIN LENDERS,

BNP PARIBAS,  
as Syndication Agent,THE BANK OF NEW YORK,  
as Senior Managing Agent,

and

BANK ONE, NA,  
as Administrative Agent

BANC ONE CAPITAL MARKETS, INC.

Lead Arranger and Sole Book Manager

---

ARTICLE I	DEFINITIONS	1
1.1	Definitions	1
1.2	Accounting Principles	13
ARTICLE II	THE CREDITS	13
2.1	Commitment	13
2.2	Required Payments; Termination	14
2.3	Ratable Loans	14
2.4	Types of Advances; Minimum Amount	14
2.5	Facility Fee; Utilization Fee	14
2.6	Reductions in Aggregate Commitment	14
2.7	Prepayments	15
2.8	Method of Selecting Types and Interest Periods for New Advances	16
2.9	Conversion and Continuation of Outstanding Advances	16
2.10	Changes in Interest Rate, etc	17
2.11	Rates Applicable After Default	17
2.12	Method of Payment	17
2.13	Noteless Agreement; Evidence of Indebtedness	18
2.14	Telephonic Notices	18
2.15	Interest Payment Dates; Interest and Fee Basis	18
2.16	Notification of Advances, Interest Rates, Prepayments and Commitment Reductions	19
2.17	Lending Installations	19
2.18	Non-Receipt of Funds by the Administrative Agent	19
2.19	Letters of Credit	20
ARTICLE III	YIELD PROTECTION; TAXES	24
3.1	Yield Protection	24
3.2	Changes in Capital Adequacy Regulations	24
3.3	Availability of Types of Advances	25
3.4	Funding Indemnification	25

---

3.5	Taxes	25
3.6	Lender Statements; Survival of Indemnity	27
ARTICLE IV	CONDITIONS PRECEDENT	28
4.1	Initial Credit Extension	28
4.2	Each Credit Extension	29
ARTICLE V	REPRESENTATIONS AND WARRANTIES	30
5.1	Existence and Standing	30
5.2	Authorization and Validity	30
5.3	No Conflict; Government Consent	30
5.4	Financial Statements	30
5.5	Material Adverse Change	31
5.6	Taxes	31
5.7	Litigation; etc	31
5.8	ERISA	31
5.9	Accuracy of Information	31
5.10	Regulation U	31
5.11	Material Agreements	32
5.12	Compliance With Laws	32
5.13	Ownership of Properties	32
5.14	Plan Assets; Prohibited Transactions	32
5.15	Environmental Matters	32
5.16	Investment Company Act	32
5.17	Public Utility Holding Company Act	32
5.18	Pari Passu Indebtedness	32
5.19	Solvency	32
ARTICLE VI	COVENANTS	33
6.1	Financial Reporting	33
6.2	Permits, Etc	34
6.3	Use of Proceeds	34
6.4	Notice of Default	34
6.5	Conduct of Business	35

---

6.6	Taxes	35
6.7	Insurance	35
6.8	Compliance with Laws	35
6.9	Maintenance of Properties; Books of Record	35
6.10	Inspection	35
6.11	Consolidations, Mergers and Sale of Assets	36
6.12	Liens	37
6.13	Affiliates	39
6.14	ERISA	39
6.15	Total Indebtedness to Total Capitalization	39
6.16	Interest Coverage Ratio	39
6.17	Restrictions on Subsidiary Dividends	39
ARTICLE VII	DEFAULTS	40
ARTICLE VIII	ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES	42
8.1	Acceleration; Letter of Credit Account	42
8.2	Amendments	42
8.3	Preservation of Rights	43
ARTICLE IX	GENERAL PROVISIONS	43
9.1	Survival of Representations	43
9.2	Governmental Regulation	43
9.3	Headings	44
9.4	Entire Agreement	44

9.5	Several Obligations; Benefits of this Agreement	44
9.6	Expenses; Indemnification	44
9.7	Numbers of Documents	45
9.8	Accounting	45
9.9	Severability of Provisions	45
9.10	Nonliability of Lenders	45
9.11	Limited Disclosure	45
9.12	Nonreliance	46

-iii-

ARTICLE X	THE ADMINISTRATIVE AGENT	47
10.1	Appointment; Nature of Relationship	47
10.2	Powers	47
10.3	General Immunity	47
10.4	No Responsibility for Loans, Recitals, etc	47
10.5	Action on Instructions of Lenders	48
10.6	Employment of Agents and Counsel	48
10.7	Reliance on Documents; Counsel	48
10.8	Administrative Agent's Reimbursement and Indemnification	48
10.9	Notice of Default	49
10.10	Rights as a Lender	49
10.11	Lender Credit Decision	49
10.12	Successor Administrative Agent	50
10.13	Administrative Agent's Fee	50
10.14	Delegation to Affiliates	50
ARTICLE XI	SETOFF; RATABLE PAYMENTS	51
11.1	Setoff	51
11.2	Ratable Payments	51
ARTICLE XII	BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS	51
12.1	Successors and Assigns	51
12.2	Participations	52
12.2.1	Permitted Participants; Effect	52
12.2.2	Voting Rights	52
12.2.3	Benefit of Setoff	52
12.3	Assignments	52
12.3.1	Permitted Assignments	53
12.3.2	Effect of Assignment; Effective Date	53
12.4	Dissemination of Information	53
12.5	Tax Treatment	54
ARTICLE XIII	NOTICES	54

-iv-

13.1	Notices	54
13.2	Change of Address	54
ARTICLE XIV	COUNTERPARTS	54
ARTICLE XV	OTHER AGENTS	55
ARTICLE XVI	TERMINATION OF EXISTING CREDIT FACILITY	55
ARTICLE XVII	CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL	55
17.1	CHOICE OF LAW	55
17.2	CONSENT TO JURISDICTION	55
17.3	WAIVER OF JURY TRIAL	56

-v-

## CREDIT AGREEMENT

This Agreement dated as of March 7, 2003 is among Great Plains Energy Incorporated, a Missouri corporation, the Lenders and Bank One, NA, as Administrative Agent. The parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

1.1 Definitions. As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of such terms):

"Administrative Agent" means Bank One, NA in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article X.

"Advance" means a borrowing hereunder (or conversion or continuation thereof) consisting of the aggregate amount of the several Loans made on the same Borrowing Date (or date of conversion or continuation) by the Lenders to the Borrower of the same Type and, in the case of Eurodollar Advances, for the same Interest Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or by contract or otherwise.

"Aggregate Commitment" means the aggregate of the Commitments of all Lenders, as changed from time to time pursuant to the terms hereof.

"Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposure of all Lenders.

"Agreement" means this credit agreement, as it may be amended or modified and in effect from time to time.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

1

---

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Asset Sale" means the sale or other disposition by the Borrower, any Significant Subsidiary, KLT Gas Inc. or KLT Investments Inc. to any Person (other than the Borrower, a Significant Subsidiary, KLT Gas Inc. or KLT Investments Inc.) of any asset, including any disposition by merger or consolidation or any similar transaction, but excluding (a) sales or other dispositions in the ordinary course of business consistent with past practice (it being understood that sales or dispositions of real property, of interests therein or of entities that own real property shall be deemed not to be made in the ordinary course of business), (b) sales described in Section 6.11(iii) and (c) other sales or dispositions in an aggregate amount not exceeding \$10,000,000 in any year.

"Attributable Indebtedness" means, on any date, (i) in respect of any Capitalized Lease Obligation of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (ii) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capitalized Lease.

"Authorized Officer" means any of the President, any Vice President, the chief financial officer or the Treasurer of the Borrower, in each case acting singly.

"Bank One" means Bank One, NA in its individual capacity, and its successors.

"Borrower" means Great Plains Energy Incorporated, a Missouri corporation, and its permitted successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.8.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

2

---

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

"Change of Control" means an event or series of events by which:

- (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of the Borrower or its Subsidiaries, or any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of 33 1/3% or more of the equity interests of the Borrower; or
- (ii) during any period of 12 consecutive months (or such lesser period of time as shall have elapsed since the formation of the Borrower), a majority of the members of the board of directors or other equivalent governing body of the Borrower ceases to be composed of individuals (x) who were members of that board or equivalent governing body on the first day of such period, (y) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (x) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (z) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (x) and (y) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans and to participate in Letters of Credit in an aggregate amount not exceeding the amount set forth on Schedule I hereto or as set forth in any Notice of Assignment relating to any assignment that has become effective pursuant to Section 12.3.2, as such amount may be modified from time to time pursuant to the terms hereof.

"Consolidated EBIT" means, for any period, for the Borrower and its Consolidated Subsidiaries, an amount equal to the result of (i) Consolidated Net Income plus (ii) Consolidated Interest Charges plus (iii) the amount of taxes, based on or measured by income, used or included in the determination of such Consolidated Net Income plus (iv) all other non-cash items that reduce Consolidated Net Income for such period minus (v) all non-cash items that increase Consolidated Net Income for such period.

"Consolidated Interest Charges" means, for the Borrower and its Consolidated Subsidiaries for any period, the sum of (i) all interest, premium payments, fees, charges and related expenses of the Borrower and its Consolidated Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (ii) the portion of rent expense of the Borrower and its Consolidated Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP. It is understood and agreed that Consolidated Interest Charges shall not include any obligations of the Borrower or any Consolidated Subsidiary with respect to subordinated, deferrable interest debt securities, and any related securities issued by a trust or other special purpose entity in connection therewith, as long as the maturity date of such debt securities is subsequent to the scheduled Facility Termination Date.

3

---

"Consolidated Net Income" means, for any period, for the Borrower and its Consolidated Subsidiaries, the net income of the Borrower and its Consolidated Subsidiaries from continuing operations, excluding extraordinary items for that period.

"Consolidated Subsidiaries" means, as to any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"Consolidated Tangible Net Worth" means, as of any date of determination, for the Borrower and its Consolidated Subsidiaries, Shareholders' Equity of the Borrower and its Consolidated Subsidiaries on that date minus the Intangible Assets of the Borrower and its Consolidated Subsidiaries on that date.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.9.

"Credit Extension" means the making of an Advance or the issuance of a Letter of Credit.

"Default" means an event described in Article VII.

"DTI" means DTI Holdings, Inc.

"DTI Company" means any of DTI and any of its Subsidiaries.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

4

---

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period; provided that (i) if Reuters Screen FRBD is not available to the Administrative Agent for any reason, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Administrative Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Administrative Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means a Loan which bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance or Eurodollar Loan for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin. The Eurodollar Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Excluded Issuance" means any issuance of Indebtedness which (i) is secured by a purchase money Lien not prohibited hereunder, (ii) constitutes a Capitalized Lease (unless issued in connection with a sale/leaseback transaction), (iii) is described in clauses (i) through (iv) of the definition of Total Indebtedness, (iv) is made under credit facilities providing for revolving credit advances to (a) Strategic Energy, L.L.C. in an aggregate amount not exceeding \$75,000,000 or (b) KCPL in an aggregate amount not exceeding \$126,000,000 or (v) constitutes the refinancing of Indebtedness existing on the date hereof or described in clauses (i), (ii) and (iii) above, except to the extent the principal amount of such Indebtedness is increased.

5

---

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Administrative Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Administrative Agent is incorporated or organized or (ii) the jurisdiction in which the Administrative Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Existing Credit Facility" means the Credit Agreement dated as of March 13, 2002 among the Borrower, various financial institutions and Bank One, as administrative agent.

"Facility Fee Rate" means, at any time, the percentage rate per annum at which facility fees are accruing at such time as set forth in the Pricing Schedule.

"Facility Termination Date" means March 5, 2004 or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"Floating Rate" means, for any day, a rate per annum equal to the sum of (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which bears interest at the Floating Rate.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements of the Financial Accounting Standards Board.

"including" means "including without limiting the generality of the following".

"Indebtedness" means, as to any Person at a particular time, all of the following, without duplication, to the extent recourse may be had to the assets or properties of such Person in respect thereof: (i) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; (ii) any direct or contingent obligations of such Person in the aggregate in excess of \$2,000,000 arising under letters of credit (including standby and commercial), banker's acceptances, bank guaranties, surety bonds and similar instruments; (iii) net obligations of such Person under Swap Contracts; (iv) all obligations of such Person to pay the deferred purchase price of property or services (except trade accounts payable arising, and accrued expenses incurred, in the ordinary course of business), and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (v) Capitalized Lease Obligations and Synthetic Lease Obligations of such Person; and (vi) all Contingent Obligations of such Person in respect of any of the foregoing.

---

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless such Indebtedness is non-recourse to such Person. It is understood and agreed that Indebtedness (including Contingent Obligations) shall not include any obligations of the Borrower with respect to subordinated, deferrable interest debt securities, and any related securities issued by a trust or other special purpose entity in connection therewith, as long as the maturity date of such debt is subsequent to the scheduled Facility Termination Date; provided that the amount of mandatory principal amortization or defeasance of such debt prior to the scheduled Facility Termination Date shall be included in this definition of Indebtedness. The amount of any Capitalized Lease Obligation or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Interest Coverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated EBIT for the period of the four prior fiscal quarters ending on such date to (b) Consolidated Interest Charges during such period.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter; provided that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; provided that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Issuer" means Bank One in its capacity as issuer of Letters of Credit hereunder.

"KCPL" means Kansas City Power & Light Company, a Missouri corporation.

"LC Collateral Account" is defined in Section 2.19(k).

"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"Lending Installation" means, with respect to a Lender or the Administrative Agent, the office, branch, subsidiary or affiliate of such Lender or the Administrative Agent listed on the signature pages hereof or on a Schedule or otherwise selected by such Lender or the Administrative Agent pursuant to Section 2.17.

7

---

"Letter of Credit" is defined in Section 2.19(a).

"Letter of Credit Application" is defined in Section 2.19(c).

"Letter of Credit Fee" is defined in Section 2.19(d).

"Letter of Credit Fee Rate" means, at any time, the percentage rate per annum applicable to Letter of Credit Fees at such time as set forth in the Pricing Schedule.

"Letter of Credit Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount of all Letters of Credit at such time plus (ii) the aggregate unpaid amount of all Reimbursement Obligations at such time.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's loans made pursuant to Article II (or any conversion or continuation thereof).

"Loan Documents" means this Agreement, each Note issued pursuant to Section 2.13, each Letter of Credit and each Letter of Credit Application.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent, the Lenders or the Issuer thereunder.

"Material Indebtedness" is defined in Section 7.5.

"Maturity Date" means the date which is one year after the Facility Termination Date or any earlier date on which the Obligations become due and payable.

"Modification" and "Modify" are defined in Section 2.19(a).

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Cash Proceeds" means:

8

---

(a) with respect to any Asset Sale, the aggregate cash proceeds (including cash proceeds received by way of deferred payment of principal pursuant to a note, installment receivable or otherwise, but only as and when received) received by the Borrower, any Significant Subsidiary, KLT Gas Inc. or KLT Investments Inc. pursuant to such Asset Sale, net of (i) the direct costs relating to such Asset Sale (including sales commissions and legal, accounting and investment banking fees), (ii) taxes paid or reasonably estimated by the Borrower to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (iii) amounts required to be applied to the repayment of any Indebtedness secured by a Lien on the asset subject to such Asset Sale; and

(b) with respect to any issuance of equity securities (including common stock, preferred stock, convertible securities, warrants and any other type of equity security, but without duplication of any Indebtedness) or Indebtedness, the aggregate cash proceeds received by the Borrower or any Significant Subsidiary pursuant to such issuance, net of the direct costs relating to such issuance (including sales and underwriter's discounts and commissions and legal, accounting and investment banking fees).

"Non-U.S. Lender" is defined in Section 3.5(iv).

"Note" is defined in Section 2.13.

"Notice of Assignment" is defined in Section 12.3.2.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all Reimbursement Obligations and accrued and unpaid interest thereon, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to any Lender, the Issuer, the Administrative Agent or any indemnified party arising under any Loan Document.

"Other Taxes" is defined in Section 3.5(ii).

"Outstanding Credit Exposure" means, as to any Lender at any time, the sum of (i) the aggregate principal amount of its Loans outstanding at such time, plus (ii) its Pro Rata Share of the Letter of Credit Obligations at such time.

"Participants" is defined in Section 12.2.1.

"Payment Date" means the last Business Day of each March, June, September and December.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

---

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced by Bank One or its parent from time to time (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Project Finance Subsidiary" means any Subsidiary that meets the following requirements: (i) it is primarily engaged, directly or indirectly, in the ownership, operation and/or financing of independent power production and related facilities and assets; and (ii) neither the Borrower nor any other Subsidiary (other than another Project Finance Subsidiary) has any liability, contingent or otherwise, for the Indebtedness or other obligations of such Subsidiary (other than non-recourse liability resulting from the pledge of stock of such Subsidiary).

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, with respect to any Lender, the percentage which the amount of such Lender's Commitment is of the Aggregate Commitment (or, if the Commitments have terminated, which such Lender's Outstanding Credit Exposure is of the Aggregate Outstanding Credit Exposure).

"PUHCA" means the Public Utility Holding Company Act of 1935, as amended.

"Purchasers" is defined in Section 12.3.1.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrower then outstanding under Section 2.19 to reimburse the Issuer for amounts paid by the Issuer in respect of any one or more drawings under Letters of Credit.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means Lenders in the aggregate having at least 51% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 51% of the Aggregate Outstanding Credit Exposure.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"SEC" means the Securities and Exchange Commission.

"SEC Order" means the order issued by the SEC to the Borrower and various Affiliates dated September 7, 2001 (Release No. 35-27436; 70-9861), or an extension, renewal or replacement of such order in form and substance satisfactory to the Lenders.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Shareholders' Equity" means, as of any date of determination for the Borrower and its Consolidated Subsidiaries on a consolidated basis, shareholders' equity as of that date determined in accordance with GAAP.

"Significant Subsidiary" means, at any time, KCPL and each other Subsidiary of the Borrower which (i) as of the date of determination, owns consolidated assets equal to or greater than 15% of the consolidated assets of the Borrower and its Subsidiaries or (ii) which had consolidated net income from continuing operations (excluding extraordinary items) during the four most recently ended fiscal quarters equal to or greater than 15% of Consolidated Net Income during such period.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled; provided that no DTI Company will be considered a Subsidiary of the Borrower for purposes of this Agreement. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (i) represents more than 10% of the consolidated assets of the Borrower and its Consolidated Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its Consolidated Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the Consolidated Net Income of the Borrower and its Consolidated Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Swap Contract" means (i) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transaction, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (i) a so-called synthetic or off-balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes.

"Term-Out Option" is defined in Section 2.2.

"34 Act Reports" means the periodic reports of the Borrower filed with the SEC on Forms 10K, 10Q and 8K (or any successor forms thereto).

"Total Capitalization" means Total Indebtedness of the Borrower and its Consolidated Subsidiaries plus the sum of (i) Shareholder's Equity and (ii) to the extent not otherwise included in Indebtedness or Shareholder's Equity, preferred and preference stock and securities of the Borrower and its Subsidiaries included in a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries in accordance with GAAP.

12

---

"Total Indebtedness" means all Indebtedness of the Borrower and its Consolidated Subsidiaries on a consolidated basis (and without duplication), excluding (i) Indebtedness arising under Swap Contracts entered into in the ordinary course of business to hedge bona fide transactions and business risks and not for speculation, (ii) Indebtedness of Project Finance Subsidiaries, (iii) Contingent Obligations incurred after May 15, 1996 with respect to obligations of Strategic Energy, L.L.C. in an aggregate amount not exceeding \$275,000,000 and (iv) Indebtedness of KLT Investments Inc. incurred in connection with the acquisition and maintenance of its interests (whether direct or indirect) in low income housing projects.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Utilization Fee Rate" means, at any time, the percentage rate per annum at which utilization fees are accruing at such time as set forth in the Pricing Schedule.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

1.2 Accounting Principles. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied; provided that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Section 6 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend any covenant in Section 6 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

## ARTICLE II

### THE CREDITS

2.1 Commitment. From and including the date of this Agreement and prior to the Facility Termination Date, subject to the terms and conditions set forth in this Agreement, (a) each Lender severally agrees to make Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment and (b) the Issuer agrees to issue Letters of Credit for the account of the Borrower in an aggregate amount not to exceed \$25,000,000 (and each Lender severally agrees to participate in each such Letter of Credit as more fully set forth in Section 2.19); provided (i) that the Aggregate Outstanding Credit Exposure shall not at any time exceed the Aggregate Commitment; and (ii) the Outstanding Credit Exposure of any Lender shall not at any time exceed the amount of such Lender's Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitments shall expire on the Facility Termination Date.

13

---

2.2 Required Payments; Termination. The Borrower shall (a) repay the principal amount of all Advances made to it on the Facility Termination Date or, at the Borrower's election (as indicated by written notice received by the Administrative Agent (which shall promptly advise each Lender of its receipt of such notice) at least five days prior to the Facility Termination Date), the Maturity Date (such election, the "Term-Out Option"), and (b) deposit into the LC Collateral Account on the Facility Termination Date an amount in immediately available funds equal to the aggregate stated amount of all Letters of Credit that will remain outstanding after the Facility Termination Date.

2.3 Ratable Loans. Each Advance hereunder shall consist of Loans made from the several Lenders ratably in proportion to their respective Pro Rata Shares.

2.4 Types of Advances; Minimum Amount. The Advances may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.8 and 2.9. Each Eurodollar Advance shall be in the minimum amount of \$5,000,000 or a higher integral multiple of \$1,000,000, and each Floating Rate Advance shall be in the minimum amount of \$1,000,000 or an integral multiple thereof.

2.5 Facility Fee; Utilization Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Lender (a) a facility fee at a per annum rate equal to (i) the Facility Fee Rate on such Lender's Commitment (regardless of usage) from the date hereof to but excluding the Facility Termination Date, payable on each Payment Date and on the Facility Termination Date or (ii) if the Borrower exercises the Term-Out Option or the Commitments terminate prior to the scheduled Facility Termination Date, the Facility Fee Rate on such Lender's Outstanding Credit Exposure from the Facility Termination Date to but excluding the Maturity Date, payable on each Payment Date following the Facility Termination Date, on the Maturity Date and, if applicable, thereafter on demand; and (b) a utilization fee at a rate per annum equal to the Utilization Fee Rate on such Lender's Outstanding Credit Exposure, (i) for any date prior to the Facility Termination Date on which the Aggregate Outstanding Credit Exposure exceeds 33-1/3% of the Aggregate Commitment and (ii) for each date on (unless all Obligations are paid in full on the Facility Termination Date) or after the Facility Termination Date until all Obligations are paid in full, such utilization fee to be payable on each Payment Date, on the Maturity Date and thereafter on demand.

2.6 Reductions in Aggregate Commitment. The Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders (according to their respective Pro Rata Shares) in integral multiples of \$5,000,000, upon at least three Business Days' prior written notice to the Administrative Agent, which notice shall specify the amount of any such reduction; provided that the amount of the Aggregate Commitment may not be reduced below the Aggregate Outstanding Credit Exposure. All accrued facility fees and utilization fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Loans hereunder.

14

---

2.7 Prepayments.

(a) Optional Prepayments.

(i) The Borrower may from time to time prepay Floating Rate Advances upon one Business Day's prior notice to the Administrative Agent, without penalty or premium. Each partial prepayment of Floating Rate Advances shall be in a minimum aggregate amount of \$1,000,000 or an integral multiple thereof.

(ii) The Borrower may from time to time prepay Eurodollar Advances (subject to the payment of any funding indemnification amounts required by Section 3.4) upon three Business Days' prior notice to the Administrative Agent, without penalty or premium. Each partial prepayment of Eurodollar Advances shall be in a minimum aggregate amount of \$5,000,000 or a higher integral multiple of \$1,000,000.

(b) Mandatory Prepayments. If the Borrower has exercised the Term-Out Option and the Facility Termination Date has occurred, then the Borrower will:

(i) within ten Business Days following the receipt by the Borrower, any Significant Subsidiary (excluding KCPL to the extent that, and for so long as, the distribution of the applicable Net Cash Proceeds by KCPL to the Borrower would be prohibited by the applicable regulatory authorities having jurisdiction over KCPL), KLT Gas Inc. or KLT Investments Inc. of any Net Cash Proceeds from any Asset Sale, prepay Advances in an amount (rounded down, if necessary, to an integral multiple of \$1,000,000) equal to 100% of all such Net Cash Proceeds received since the Facility Termination Date minus all amounts previously applied to prepay Advances pursuant to this clause (i); and

(ii) within five Business Days following the receipt by the Borrower or any Significant Subsidiary (excluding KCPL to the extent that, and for so long as, the distribution of the applicable Net Cash Proceeds by KCPL to the Borrower would be prohibited by the applicable regulatory authorities having jurisdiction over KCPL) of the Net Cash Proceeds of any issuance of equity securities or Indebtedness (excluding any Excluded Issuance and any issuance of equity securities by a Significant Subsidiary to the Borrower or another Significant Subsidiary), prepay Advances in an amount (rounded down, if necessary, to an integral multiple of \$1,000,000) equal to 100% of all such Net Cash Proceeds received since the Facility Termination Date minus all amounts previously applied to prepay Advances pursuant to this clause (ii).

15

---

(c) All Prepayments. All prepayments of Advances shall be applied ratably to the Loans of the Lenders in accordance with their respective Pro Rata Shares.

2.8 Method of Selecting Types and Interest Periods for New Advances. The Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time. The Borrower shall give the Administrative Agent irrevocable notice (a "Borrowing Notice") not later than 11:00 a.m. (Chicago time) on the Borrowing Date of

each Floating Rate Advance and not later than 11:00 a.m. (Chicago time) three Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

- (i) the Borrowing Date, which shall be a Business Day, of such Advance,
- (ii) the aggregate amount of such Advance,
- (iii) the Type of Advance selected, and
- (iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto.

Not later than noon (Chicago time) on each Borrowing Date, each Lender shall make available its Loan or Loans in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent will make the funds so received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

**2.9 Conversion and Continuation of Outstanding Advances.** Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.9 or are repaid in accordance with Section 2.7. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.7 or (y) the Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.4, the Borrower may elect from time to time to convert all or any part of a Floating Rate Advance into a Eurodollar Advance. The Borrower shall give the Administrative Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (Chicago time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

- (i) the requested date, which shall be a Business Day, of such conversion or continuation,
- (ii) the aggregate amount and Type of the Advance which is to be converted or continued, and

16

- 
- (iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

**2.10 Changes in Interest Rate, etc.** Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.9, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.9 hereof, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Administrative Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.8 and 2.9 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date or, if the Borrower has elected the Term-Out Option, the Maturity Date.

**2.11 Rates Applicable After Default.** Notwithstanding anything to the contrary contained in Section 2.8 or 2.9, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum and (iii) the Letter of Credit Fee Rate shall be increased by 2% per annum; provided that, during the continuance of a Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above and the increase in the Letter of Credit Fee Rate set forth in clause (iii) above shall be applicable to all applicable Credit Extensions without any election or action on the part of the Administrative Agent or any Lender.

**2.12 Method of Payment.** All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Borrower, by noon (Chicago time) on the date when due and shall be applied ratably by the Administrative Agent among the Lenders in accordance with their respective Pro Rata Shares. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the

---

2.13 Noteless Agreement; Evidence of Indebtedness.

- (i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.
- (ii) The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, (c) the original stated amount of each Letter of Credit and the amount of Letter of Credit Obligations outstanding at any time and (d) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.
- (iii) The entries maintained in the accounts maintained pursuant to clauses (i) and (ii) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; provided that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.
- (iv) Any Lender may request that its Loans be evidenced by a promissory note substantially in the form of Exhibit E (a "Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 12.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in clauses (i) and (ii) above.

2.14 Telephonic Notices. The Borrower hereby authorizes the Lenders and the Administrative Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Administrative Agent a written confirmation, if such confirmation is requested by the Administrative Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.15 Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof and at maturity. Interest accrued on each Eurodollar Advance shall be payable on the last

---

day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. All computations of interest for Floating Rate Loans when the Alternate Base Rate is determined by the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest and fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (Chicago time) at the place of payment (it being understood that the Administrative Agent shall be deemed to have received a payment prior to noon (Chicago time) if (x) the Borrower has provided the Administrative Agent with evidence satisfactory to the Administrative Agent that the Borrower has initiated a wire transfer of such payment prior to such time and (y) the Administrative Agent actually receives such payment on the same Business Day on which such wire transfer was initiated). If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.16 Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. The Administrative Agent will notify each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.17 Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans and any Notes issued hereunder shall be deemed held by each Lender for the benefit of such Lending Installation. Each

Lender may, by written notice to the Administrative Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it and for whose account Loan payments are to be made.

2.18 Non-Receipt of Funds by the Administrative Agent. Unless the Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

19

---

2.19 Letters of Credit.

(a) Issuance. The Issuer hereby agrees, (a) on the terms and conditions set forth in this Agreement, to issue standby letters of credit (each a "Letter of Credit") and to renew, extend, increase, decrease or otherwise modify Letters of Credit ("Modify," and each such action a "Modification") from time to time from and including the date of this Agreement and prior to the Facility Termination Date upon the request of the Borrower; provided that immediately after each such Letter of Credit is issued or Modified, (i) the aggregate amount of the outstanding Letter of Credit Obligations shall not exceed \$25,000,000 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Aggregate Commitment. No Letter of Credit shall have an expiry date later than the scheduled Maturity Date.

(b) Participations. Upon the issuance or Modification by the Issuer of a Letter of Credit in accordance with this Section 2.19, the Issuer shall be deemed, without further action by any Person, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any Person, to have unconditionally and irrevocably purchased from the Issuer, a participation in such Letter of Credit (and each Modification thereof) and the related Letter of Credit Obligations in proportion to its Pro Rata Share.

(c) Notice. Subject to Section 2.19(a), the Borrower shall give the Issuer notice prior to 10:00 a.m. (Chicago time) at least three Business Days (or such lesser period of time as the Issuer may agree in its sole discretion) prior to the proposed date of issuance or Modification of each Letter of Credit, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Letter of Credit, and describing the proposed terms of such Letter of Credit and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Letter of Credit. The issuance or Modification by the Issuer of any Letter of Credit shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which the Issuer shall have no duty to ascertain, it being understood, however, that the Issuer shall not issue any Letter of Credit if it has received written notice from the Borrower, the Administrative Agent or any Lender that any such conditions precedent have not been satisfied), be subject to the conditions precedent that such Letter of Credit shall be satisfactory to the Issuer and that the Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Letter of Credit as the Issuer shall have reasonably requested (each a "Letter of Credit Application"). In the event of any conflict between the terms of this Agreement and the terms of any Letter of Credit Application, the terms of this Agreement shall control.

(d) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent, for the account of the Lenders ratably in accordance with their respective Pro Rata Shares, with respect to each Letter of Credit, a letter of credit fee (the "Letter of Credit Fee") at a per annum rate equal to the Letter of

20

---

Credit Fee Rate in effect from time to time on the maximum undrawn amount which may at any time thereafter be available under such Letter of Credit, such fee to be payable in arrears on each Payment Date, on the Facility Termination Date or (if the Borrower has exercised the Term-Out Option) the Maturity Date and, after the Maturity Date (if applicable), on demand. The Borrower shall also pay to the Issuer for its own account (x) a fronting fee in the amount agreed to by the Issuer and the Borrower from time to time, with such fee to be payable in arrears on each Payment Date, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Letters of Credit in accordance with the Issuer's standard schedule for such charges as in effect from time to time.

(e) Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Letter of Credit of any demand for payment under such Letter of Credit, the Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Borrower and each other Lender as to the amount to be paid by the Issuer as a result of such demand and the proposed payment date (the "Letter of Credit Payment Date"). The responsibility of the Issuer to the Borrower and each Lender

shall be only to determine that the documents delivered under each Letter of Credit in connection with a demand for payment are in conformity in all material respects with such Letter of Credit. The Issuer shall endeavor to exercise the same care in its issuance and administration of Letters of Credit as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the Issuer, each Lender shall be unconditionally and irrevocably obligated, without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse the Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by the Issuer under each Letter of Credit to the extent such amount is not reimbursed by the Borrower pursuant to Section 2.19(f) below, plus (ii) interest on the foregoing amount, for each day from the date of the applicable payment by the Issuer to the date on which the Issuer is reimbursed by such Lender for its Pro Rata Share thereof, at a rate per annum equal to the Federal Funds Effective Rate or, beginning on third Business Day after demand for such amount by the Issuer, the rate applicable to Floating Rate Advances.

(f) Reimbursement by Borrower. The Borrower shall be irrevocably and unconditionally obligated to reimburse the Issuer on or before the applicable Letter of Credit Payment Date for any amount to be paid by the Issuer upon any drawing under any Letter of Credit, without presentment, demand, protest or other formalities of any kind; provided that the Borrower shall not be precluded from asserting any claim for direct (but not consequential) damages suffered by the Borrower to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Issuer in determining whether a request presented under any Letter of Credit complied with the terms of such Letter of Credit or (ii) the Issuer's failure to pay under any Letter of Credit after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. All such amounts paid by the Issuer and remaining unpaid by the Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Floating Rate Advances. The Issuer will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Letter of Credit issued by the Issuer, but only to the extent such Lender made payment to the Issuer in respect of such Letter of Credit pursuant to Section 2.19(e).

21

(g) Obligations Absolute. The Borrower's obligations under this Section 2.19 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Issuer, any Lender or any beneficiary of a Letter of Credit. The Borrower further agrees with the Issuer and the Lenders that neither the Issuer nor any Lender shall be responsible for, and the Borrower's Reimbursement Obligation in respect of any Letter of Credit shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, any of its Affiliates, the beneficiary of any Letter of Credit or any financing institution or other party to whom any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrower or of any of its Affiliates against the beneficiary of any Letter of Credit or any such transferee. The Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Borrower agrees that any action taken or omitted by the Issuer or any Lender under or in connection with any Letter of Credit and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Borrower and shall not put the Issuer or any Lender under any liability to the Borrower. Nothing in this Section 2.19(g) is intended to limit the right of the Borrower to make a claim against the Issuer for damages as contemplated by the proviso to the first sentence of Section 2.19(f).

(h) Actions of Issuer. The Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Issuer. The Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.19, the Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holder of a participation in any Letter of Credit.

(i) Indemnification. The Borrower agrees to indemnify and hold harmless each Lender, the Issuer and the Administrative Agent, and their respective directors, officers, agents and employees, from and against any and all claims and damages, losses, liabilities, costs or expenses which such Lender, the Issuer or the Administrative Agent may incur (or which may be claimed against such Lender, the Issuer or the Administrative Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Letter of Credit or any

22

actual or proposed use of any Letter of Credit, including any claims, damages, losses, liabilities, costs or expenses which the Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the Issuer hereunder (but nothing herein contained shall affect any right the Borrower may have against any defaulting Lender) or (ii) by reason of or on account of the Issuer issuing any Letter of Credit which specifies that the term "Beneficiary" therein includes any

successor by operation of law of the named Beneficiary, but which Letter of Credit does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the Issuer, evidencing the appointment of such successor Beneficiary; provided that the Borrower shall not be required to indemnify any Lender, the Issuer or the Administrative Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the Issuer in determining whether a request presented under any Letter of Credit issued by the Issuer complied with the terms of such Letter of Credit or (y) the Issuer's failure to pay under any Letter of Credit after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 2.19(i) is intended to limit the obligations of the Borrower under any other provision of this Agreement.

(j) Lenders' Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify the Issuer and its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and charges), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the Issuer's failure to pay under any Letter of Credit after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit) that such indemnitees may suffer or incur in connection with this Section 2.19 or any action taken or omitted by such indemnitees hereunder.

(k) LC Collateral Account. The Borrower agrees that it will establish on the Facility Termination Date (or on such earlier date as may be required pursuant to Section 8.1), and thereafter maintain so long as any Letter of Credit is outstanding or any amount is payable to the Issuer or the Lenders in respect of any Letter of Credit, a special collateral account pursuant to arrangements satisfactory to the Administrative Agent (the "LC Collateral Account") at the Administrative Agent's office at the address specified pursuant to Article XIII, in the name of the Borrower but under the sole dominion and control of the Administrative Agent, for the benefit of the Lenders, and in which the Borrower shall have no interest other than as set forth in Section 8.1. The Borrower hereby pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders and the Issuer, a security interest in all of the Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the LC Collateral Account, to secure the prompt and complete payment and performance of the Obligations. The Administrative Agent will invest any funds on deposit from time to time in the LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding 30 days. If funds are deposited in the LC Collateral Account pursuant to Section 2.2(b) and the provisions of Section 8.1 are not applicable, then the Administrative Agent shall release from the LC Collateral Account to the Borrower, upon the expiration or termination of, or any reduction in the amount available under, any Letter of Credit, an amount equal to the excess (if any) of all funds in the LC Collateral Account over the Letter of Credit Obligations.

23

(l) Rights as a Lender. In its capacity as a Lender, the Issuer shall have the same rights and obligations as any other Lender.

### ARTICLE III

#### YIELD PROTECTION; TAXES

3.1 Yield Protection. If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender, any applicable Lending Installation or the Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender, any applicable Lending Installation or the Issuer to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender in respect of its Eurodollar Loans or Letters of Credit or participations therein, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender, any applicable Lending Installation or the Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender, any applicable Lending Installation or the Issuer of making, funding or maintaining its Eurodollar Loans or of issuing or participating in Letters of Credit or reduces any amount receivable by any Lender, any applicable Lending Installation or the Issuer in connection with its Eurodollar Loans or Letters of Credit, or requires any Lender, any applicable Lending Installation or the Issuer to make any payment calculated by reference to the amount of Eurodollar Loans or Letters of Credit held or interest received by it, by an amount deemed material by such Lender or the Issuer, as the case may be,

and the result of any of the foregoing is to increase the cost to such Lender, the applicable Lending Installation or the Issuer of making or maintaining its Eurodollar Loans, Letters of Credit or Commitment or to reduce the return received by such Lender, the applicable Lending Installation or the Issuer in connection with such Eurodollar Loans, Letters of Credit or Commitment, then,

within 15 days of demand by such Lender or the Issuer, the Borrower shall pay such Lender or the Issuer such additional amount or amounts as will compensate such Lender or the Issuer for such increased cost or reduction in amount received.

3.2 Changes in Capital Adequacy Regulations. If a Lender or the Issuer determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender, the Issuer or any corporation controlling such Lender or the Issuer is increased as a result of a Change, then, within 15 days of demand by such Lender or the Issuer, the Borrower shall pay such Lender or the Issuer the amount necessary to compensate

24

---

for any shortfall in the rate of return on the portion of such increased capital which such Lender or the Issuer determines is attributable to this Agreement, its Outstanding Credit Exposure or its Commitment to make Loans or to issue or participate in Letters of Credit hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in (or in the interpretation of) the Risk-Based Capital Guidelines or (ii) any adoption of or change in (or any change in the interpretation of) any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender, any Lending Installation, the Issuer or any corporation controlling any Lender or the Issuer. "Risk-Based Capital Guidelines" means (x) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (y) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3 Availability of Types of Advances. If (i) any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, (ii) the Required Lenders determine that (a) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (b) the interest rate applicable to a Type of Advance does not accurately reflect the cost of making or maintaining such Advance or (iii) the Administrative Agent determines that adequate and reasonable means do not exist for determining the Eurodollar Base Rate, then the Administrative Agent shall suspend the availability of the affected Type of Advance and, in the case of clause (i), require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4 Funding Indemnification. If any conversion, prepayment or payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made, paid, continued or converted on the date or in the amount specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5 Taxes. (i) All payments by the Borrower to or for the account of any Lender, the Issuer or the Administrative Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, the Issuer or the Administrative Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, the Issuer or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Administrative Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

25

---

(ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Letter of Credit Application or from the execution or delivery of, or otherwise with respect to, this Agreement, any Note or any Letter of Credit Application ("Other Taxes").

(iii) The Borrower hereby agrees to indemnify the Administrative Agent, each Lender and the Issuer for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Administrative Agent, such Lender or the Issuer and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Administrative Agent, such Lender or the Issuer makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not less than ten Business Days after the date of this Agreement (or, if later, the date it becomes a party hereto), (i) deliver to each of the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal

income taxes, and (ii) deliver to each of the Borrower and the Administrative Agent a United States Internal Revenue Form W-8BEN or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Borrower and the Administrative Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

26

(v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv) above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv) above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

3.6 Lender Statements; Survival of Indemnity. To the extent reasonably possible and upon the request of the Borrower, each Lender shall designate an alternate Lending Institution with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender or the Issuer, as applicable, shall deliver a written statement of such Lender or the Issuer to the Borrower (with a copy to the Administrative Agent) as to any amount due under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender or the Issuer determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender or the Issuer shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

27

## ARTICLE IV

### CONDITIONS PRECEDENT

4.1 Initial Credit Extension. The Lenders and the Issuer shall not be required to make the initial Credit Extension hereunder until the Borrower has furnished the Administrative Agent with (a) all fees required to be paid to the Lenders on the date hereof, (b) evidence that all obligations under the Existing Credit Facility have been (or, concurrently with the initial Credit Extension hereunder, will be) paid in full and (c) all of the following, in form and substance satisfactory to the Administrative Agent and each Lender, and in sufficient copies for each Lender:

- (i) Copies of the articles or certificate of incorporation of the Borrower, together with all amendments, certified by the Secretary or an Assistant Secretary of the Borrower, and a certificate of good standing, certified by the appropriate governmental officer in its jurisdiction of incorporation.
- (ii) Copies, certified by the Secretary or an Assistant Secretary of the Borrower, of its by-laws and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which the Borrower is a party.
- (iii) An incumbency certificate, executed by the Secretary or an Assistant Secretary of the Borrower, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of the Borrower

authorized to sign the Loan Documents to which the Borrower is a party, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower.

- (iv) A certificate, signed by the chief accounting officer or the chief financial officer of the Borrower, stating that on the initial Borrowing Date no Default or Unmatured Default has occurred and is continuing.
- (v) A written opinion of the Borrower's counsel, addressed to the Administrative Agent and the Lenders in substantially the form of Exhibit A.
- (vi) Executed counterparts of this Agreement executed by the Borrower and each Lender.
- (vii) Any Notes requested by a Lender pursuant to Section 2.13 payable to the order of each such requesting Lender.
- (viii) If the initial Credit Extension will be the issuance of a Letter of Credit, a properly completed Letter of Credit Application.
- (ix) A copy of the SEC Order authorizing the Borrower to incur the Indebtedness contemplated by the Loan Documents, certified by the Secretary or an Assistant Secretary of the Borrower.

28

- (x) Written money transfer instructions, in substantially the form of Exhibit D, addressed to the Administrative Agent and signed by an Authorized Officer who has executed and delivered an incumbency certificate in accordance with the terms hereof, together with such other related money transfer authorizations as the Administrative Agent may have reasonably requested.
- (xi) Such other documents as any Lender or its counsel may have reasonably requested.

4.2 Each Credit Extension. The Lenders shall not be required to make any Credit Extension (other than a Credit Extension that, after giving effect thereto and to the application of the proceeds thereof, does not increase the aggregate amount of outstanding Credit Extensions), unless on the date of such Credit Extension:

- (i) No Default or Unmatured Default exists or would result from such Credit Extension.
- (ii) The representations and warranties contained in Article V are true and correct as of the date of such Credit Extension except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date; provided that this clause (ii) shall not apply to the representations and warranties set forth in Section 5.5, clause (a) of the first sentence of Section 5.7 and the second sentence of Section 5.7 with respect to a borrowing hereunder if the proceeds of such borrowing will be used exclusively to repay the Borrower's commercial paper (and, in the event of any such borrowing, the Administrative Agent may require the Borrower to deliver information sufficient to disburse the proceeds of such borrowing directly to the holders of such commercial paper or a paying agent thereof).
- (iii) The SEC Order shall not have expired or been revoked and shall permit the Borrower to incur the Indebtedness evidenced by such Credit Extension. The Borrower shall, upon request, provide the Administrative Agent with evidence satisfactory to the Administrative Agent that, after giving effect to such Credit Extension, the aggregate amount of short-term debt instruments issued by the Borrower in reliance upon the SEC Order shall not exceed the maximum amount of Indebtedness authorized by the SEC Order.

Each delivery of a Borrowing Notice and each request for the issuance of a Letter of Credit shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i), (ii) and (iii) have been satisfied. Any Lender may require delivery of a duly completed compliance certificate in substantially the form of Exhibit B as a condition to making a Credit Extension.

29

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

5.1 Existence and Standing. Each of the Borrower and its Significant Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

5.2 Authorization and Validity. The Borrower has the power and authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings, and the Loan Documents constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3 No Conflict; Government Consent. Neither the execution and delivery by the Borrower of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or (ii) the Borrower's articles or certificate of incorporation or by-laws or (iii) the provisions of any indenture, instrument or agreement to which the Borrower is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Borrower pursuant to the terms of any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Borrower, is required to be obtained by the Borrower in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents.

5.4 Financial Statements. The March 31, 2002, June 30, 2002, September 30, 2002 and December 31, 2002 consolidated financial statements of the Borrower and its Subsidiaries heretofore delivered to the Lenders were prepared in accordance with GAAP and fairly present the consolidated financial condition and operations of the Borrower and its Subsidiaries at such dates and the consolidated results of their operations for the periods then ended subject, in the case of the March 31, 2002, June 30, 2002 and September 30, 2002 financial statements, to normal year-end adjustments.

30

---

5.5 Material Adverse Change. Since December 31, 2002, there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Borrower and its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

5.6 Taxes. The Borrower and its Significant Subsidiaries have filed all United States federal tax returns and all other material tax returns which are required to be filed and have paid all taxes due and payable pursuant to said returns or pursuant to any assessment received by the Borrower or any of its Significant Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with GAAP and as to which no Lien exists. No tax liens have been filed and no material claims are being asserted against the Borrower or any Significant Subsidiary with respect to any such taxes. The charges, accruals and reserves on the books of the Borrower and its Significant Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7 Litigation; etc. Except as set forth in the Borrower's '34 Act Reports, there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any of its Subsidiaries which (a) could reasonably be expected to have a Material Adverse Effect or (b) seeks to prevent, enjoin or delay the making of any Credit Extension. Other than any liability incident to any litigation, arbitration or proceeding which could not reasonably be expected to have a Material Adverse Effect, the Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8 ERISA. The Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. Neither the Borrower nor any other member of the Controlled Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan, or made any amendment to any Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

5.9 Accuracy of Information. No information, exhibit or report furnished by the Borrower or any of its Subsidiaries to the Administrative Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.10 Regulation U. The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (as defined in Regulation U), or extending credit for the purpose of purchasing or carrying margin stock. Margin stock constitutes less than 25% of the value of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge or other restriction hereunder.

31

---

5.11 Material Agreements. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which is reasonably likely to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect.

5.12 Compliance With Laws. The Borrower and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property except for any failure to comply with any of the foregoing which could not reasonably be expected to have a Material Adverse Effect.

5.13 Ownership of Properties. On the date of this Agreement, the Borrower and its Significant Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.12, to all of the Property and assets reflected in the Borrower's most recent consolidated financial statements provided to the Administrative Agent as owned by the Borrower and its Subsidiaries.

5.14 Plan Assets; Prohibited Transactions. The Borrower is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. (Section) 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Loans hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code.

5.15 Environmental Matters. Except as set forth in the Borrower's '34 Act Reports, there are no known risks and liabilities accruing to the Borrower or any of its Subsidiaries due to Environmental Laws that could reasonably be expected to have a Material Adverse Effect.

5.16 Investment Company Act. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.17 Public Utility Holding Company Act. The Borrower is a "holding company" within the meaning of PUHCA.

5.18 Pari Passu Indebtedness. The Indebtedness under the Loan Documents ranks at least pari passu with all other unsecured Indebtedness of the Borrower.

5.19 Solvency. As of the date hereof and after giving effect to the consummation of the transactions contemplated by the Loan Documents, the Borrower and each Significant Subsidiary is solvent. For purposes of the preceding sentence, solvent means (a) the fair saleable value (on a going concern basis) of the Borrower's assets or a Significant Subsidiary's assets, as applicable, exceed its liabilities, contingent or otherwise, fairly valued, (b) such Person will be able to pay its debts as they become due and (c) such Person will not be left with unreasonably small capital as is necessary to satisfy all of its current

---

and reasonably anticipated obligations giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability. The Borrower is not entering into the Loan Documents with the actual intent to hinder, delay or defraud its current or future creditors, nor does the Borrower intend to or believe that it will incur, as a result of entering into this Agreement and the other Loan Documents, debts beyond its ability to repay.

## ARTICLE VI

### COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1 Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(i) Within 90 days after the close of each of its fiscal years, an unqualified audit report certified by a firm of independent certified public accountants which is a member of the "Big Four," prepared in accordance with GAAP on a consolidated basis for itself and its Consolidated Subsidiaries, including balance sheets as of the end of such period and related statements of income, retained earnings and cash flows, accompanied by any management letter prepared by said accountants.

(ii) Within 45 days after the close of the first three quarterly periods of each of its fiscal years, for itself and its Consolidated Subsidiaries, either (a) consolidated and consolidating unaudited balance sheets as at the close of each such period and consolidated and consolidating profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief accounting officer or chief financial officer or (b) if the Borrower is then a "registrant" within the meaning of Rule 1-01 of Regulation S-X of the SEC and required to file a report on Form 10-Q with the SEC, a copy of the Borrower's report on Form 10-Q for such quarterly period.

(iii) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate in substantially the form of Exhibit B signed by its chief accounting officer or chief financial officer setting forth calculations of the financial covenants contained in Section 6 and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(iv) As soon as possible and in any event within 10 days after the Borrower or any member of the Controlled Group knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the chief accounting or financial officer of the Borrower, describing said Reportable Event and the action which the Borrower or member of the Controlled Group proposes to take with respect thereto.

33

---

(v) As soon as possible and in any event within two days after receipt of notice by the Borrower or any member of the Controlled Group of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan, a copy of such notice.

(vi) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy statements so furnished.

(vii) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Borrower files with the SEC.

(viii) As soon as possible, and in any event within three days after an Authorized Officer of the Borrower shall have knowledge thereof, notice of any change by Moody's or S&P in the senior unsecured debt rating of the Borrower.

(ix) Such other information (including non-financial information) as the Administrative Agent or any Lender may from time to time reasonably request.

The statements and reports required to be furnished by the Borrower pursuant to clauses (vi) and (vii) above shall be deemed furnished for such purpose upon becoming publicly available on the SEC's EDGAR web page.

6.2 Permits, Etc. The Borrower will, and will cause each Significant Subsidiary to, take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent failure to do so could not reasonably be expected to have a Material Adverse Effect; and preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.3 Use of Proceeds. The Borrower will use the proceeds of the Credit Extensions (i) to repay the Existing Credit Facility and (ii) for the general corporate and working capital purposes of the Borrower and its Subsidiaries, including support for the Borrower's commercial paper. The Borrower will not use any of the proceeds of the Credit Extensions to purchase or carry any margin stock (as defined in Regulation U) or to extend credit for the purpose of purchasing or carrying margin stock. The Borrower will not permit margin stock to constitute 25% or more of the value of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge or other restriction hereunder.

6.4 Notice of Default. The Borrower will, and will cause each Subsidiary to, give prompt notice in writing to the Administrative Agent and the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

34

---

6.5 Conduct of Business. The Borrower will, and will cause each Significant Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

6.6 Taxes. The Borrower will, and will cause each Significant Subsidiary to, timely file United States federal and applicable foreign, state and local tax returns required by law and pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with GAAP.

6.7 Insurance. The Borrower will, and will cause each Significant Subsidiary to, maintain with financially sound and reputable insurance companies that are not Affiliates of the Borrower or its Subsidiaries (other than any captive insurance company) insurance on all their Properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons, and the Borrower will furnish to any Lender upon request full information as to the insurance carried. Such

insurance may be subject to co-insurance, deductibility or similar clauses which, in effect, result in self-insurance of certain losses; provided that such self-insurance is in accord with the customary industry practices for Persons in the same or similar businesses and adequate insurance reserves are maintained in connection with such self-insurance to the extent required by GAAP.

6.8 Compliance with Laws. The Borrower will, and will cause each Significant Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including all Environmental Laws, the failure to comply with which could reasonably be expected to have a Material Adverse Effect.

6.9 Maintenance of Properties; Books of Record. The Borrower will, and will cause each Significant Subsidiary to, (i) do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times and (ii) keep proper books of record and account, in which full and correct entries shall be made of all material financial transactions and the assets and business of the Borrower and each Significant Subsidiary in accordance with GAAP; provided that nothing in this Section shall prevent the Borrower or any Significant Subsidiary from discontinuing the operation or maintenance of any of its Property or equipment if such discontinuance is, in the judgment of such Person, desirable in the conduct of its business.

6.10 Inspection. The Borrower will, and if a Default or Unmatured Default exists, will cause each Subsidiary to, permit the Administrative Agent and the Lenders, by their respective representatives and agents, to inspect any of the Property, books and financial records of such Person, to examine and make copies of the books of accounts and other financial records of such Person, and to discuss the affairs, finances and accounts of such Person with, and to

35

---

be advised as to the same by, such Person's officers at such reasonable times and intervals as the Administrative Agent or any Lender may designate. After the occurrence and during the continuance of a Default, any such inspection shall be at the Borrower's expense; at all other times, the Borrower shall not be liable to pay the expenses of the Administrative Agent or any Lender in connection with such inspections.

6.11 Consolidations, Mergers and Sale of Assets. The Borrower will not, nor will it permit any Significant Subsidiary (other than any Project Finance Subsidiary) to, sell, lease, transfer, or otherwise dispose of all or substantially all of its assets (whether by a single transaction or a number of related transactions and whether at one time or over a period of time) or consolidate with or merge into any Person or permit any Person to merge into it, except

(i) A Wholly-Owned Subsidiary may be merged into the Borrower.

(ii) Any Significant Subsidiary may sell all or substantially all of its assets to, or consolidate or merge into, another Significant Subsidiary; provided that, immediately before and after such merger, consolidation or sale, there shall not exist any Default or Unmatured Default.

(iii) Strategic Energy, L.L.C. may sell accounts receivable and contracts that generate accounts receivable, and KCPL may sell accounts receivable, in each case pursuant to one or more securitization transactions.

(iv) The Borrower may sell all or substantially all of its assets to, or consolidate with or merge into, any other corporation, or permit another corporation to merge into it; provided that (a) the surviving corporation, if such surviving corporation is not the Borrower, or the transferee corporation in the case of a sale of all or substantially all of the Borrower's assets (1) shall be a corporation organized and existing under the laws of the United States of America or a state thereof or the District of Columbia, and (2) shall expressly assume in writing the due and punctual payment of the Obligations and the due and punctual performance of and compliance with all of the terms of this Agreement and the other Loan Documents to be performed or complied with by the Borrower, (b) immediately before and after such merger, consolidation or sale, there shall not exist any Default or Unmatured Default and (c) the surviving corporation of such merger or consolidation, or the transferee corporation of the assets of the Borrower, as applicable, has, both immediately before and after such merger, consolidation or sale, a Moody's Rating of Baa3 or better or an S&P Rating of BBB - or better.

Notwithstanding the foregoing, the Borrower and its Consolidated Subsidiaries (excluding Project Finance Subsidiaries) will not convey, transfer, lease or otherwise dispose of (whether in one transaction or a series of transactions, but excluding sales of inventory in the ordinary course of business and sales of assets permitted by clause (iii) above) in the aggregate within any 12-month period, more than 20% of the aggregate book value of the assets of the Borrower and its Consolidated Subsidiaries (excluding Project Finance Subsidiaries) as calculated as of the end of the most recent fiscal quarter.

36

---

6.12 Liens. The Borrower will not, nor will it permit any Significant Subsidiary (other than any Project Finance Subsidiary) to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Significant Subsidiaries (other than any Project Finance Subsidiary), except:

- (i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.
- (ii) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books.
- (iii) Liens arising out of pledges or deposits in the ordinary course of business under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation, other than any Lien imposed under ERISA.
- (iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which are not substantial in amount and do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Significant Subsidiaries.
- (v) The Lien of the General Mortgage Indenture and Deed of Trust Dated December 1, 1986 from KCPL to UMB, N.A.
- (vi) Liens on Property of the Borrower or KCPL existing on the date hereof and any renewal or extension thereof; provided that the Property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by this Agreement.
- (vii) Judgment Liens which secure payment of legal obligations that would not constitute a Default under Section 7.9.
- (viii) Liens on Property acquired by the Borrower or a Significant Subsidiary after the date hereof, existing on such Property at the time of acquisition thereof (and not created in anticipation thereof); provided that in any such case no such Lien shall extend to or cover any other Property of the Borrower or such Significant Subsidiary, as the case may be.
- (ix) Deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business by the Borrower or any Significant Subsidiary.

- 
- (x) Purchase money security interests on any Property acquired or held by such Person in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such Property; provided that (a) such Lien attaches to such Property concurrently with or within 90 days after the acquisition thereof, (b) such Lien attaches solely to the Property so acquired in such transaction and (c) the principal amount of the Indebtedness secured thereby does not exceed the cost or fair market value determined at the date of incurrence, whichever is lower, of the Property being acquired on the date of acquisition.
- (xi) Liens on or over gas, oil, coal, fissionable material, or other fuel or fuel products as security for any obligations incurred by such Person for the sole purpose of financing the acquisition or storage of such fuel or fuel products or, with respect to nuclear fuel, the processing, reprocessing, sorting, storage and disposal thereof.
- (xii) Liens on (including Liens arising out of the sale of) accounts receivable and/or contracts which will give rise to accounts receivable of KCPL and Strategic Energy, L.L.C.; and other Liens on (including Liens arising out of the sale of) accounts receivable and/or contracts which will give rise to accounts receivable of the Borrower or any Subsidiary in an aggregate amount not at any time exceeding \$10,000,000.
- (xiii) Liens on Property of KLT Gas Inc. and its Subsidiaries in favor of operators and non-operators under joint operating agreements, pooling orders or agreements, unitization agreements or similar contractual arrangements arising in the ordinary course of the business of such Person relating to the development or operation of oil and gas Properties to secure amounts owing, which amounts are not yet due or are being contested in good faith by appropriate proceedings if adequate reserves are maintained on the books of such Person in accordance with GAAP.
- (xiv) Liens on Property of KLT Gas Inc. and its Subsidiaries under production sales agreements, division orders, operating agreements and other agreements customary in the oil and gas business for processing, production and selling hydrocarbons; provided that such Liens do not secure obligations to deliver hydrocarbons at some future date without receiving full payment therefor within 90 days of delivery.
- (xv) Liens on Property or assets of a Significant Subsidiary securing obligations owing to the Borrower or any Significant Subsidiary (other than a Project Finance Subsidiary).

(xvi) Liens on the stock or other equity interests of any Project Finance Subsidiary to secure obligations of such Project Finance Subsidiary (provided that the agreement under which any such Lien is created shall expressly state that it is non-recourse to the pledgor).

(xvii) Liens securing Indebtedness of Strategic Energy L.L.C. under the credit facilities referred to in clause (iv)(a) of the definition of "Excluded Issuance".

(xviii) Liens which would otherwise not be permitted by clauses (i) through (xvii) securing additional Indebtedness of the Borrower or a Significant Subsidiary (other than a Project Finance Subsidiary); provided that after giving effect thereto the aggregate unpaid principal amount of Indebtedness (including Capitalized Lease Obligations) of the Borrower and its Significant Subsidiaries (other than any Project Finance Subsidiary) (including prepayment premiums and penalties) secured by Liens permitted by this clause (xviii) shall not exceed the greater of (a) \$50,000,000 and (b) 10% of Consolidated Tangible Net Worth.

6.13 Affiliates. Except to the extent required by applicable law with respect to transactions among the Borrower and its Subsidiaries (excluding any Project Finance Subsidiary), the Borrower will not, and will not permit any Subsidiary (other than any Project Finance Subsidiary) to, enter into any transaction (including the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.14 ERISA. The Borrower will not, nor will it permit any Significant Subsidiary to, (i) voluntarily terminate any Plan, so as to result in any material liability of the Borrower or any Significant Subsidiary to the PBGC or (ii) enter into any Prohibited Transaction (as defined in Section 4975 of the Code and in Section 406 of ERISA) involving any Plan which results in any material liability of the Borrower or any Significant Subsidiary or (iii) cause any occurrence of any Reportable Event which results in any material liability of the Borrower or any Significant Subsidiary to the PBGC or (iv) allow or suffer to exist any other event or condition known to the Borrower which results in any material liability of the Borrower or any Significant Subsidiary to the PBGC.

6.15 Total Indebtedness to Total Capitalization. The Borrower shall at all times cause the ratio of (i) Total Indebtedness to (ii) Total Capitalization to be less than or equal to 0.65 to 1.0.

6.16 Interest Coverage Ratio. The Borrower shall not permit the Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 2.25 to 1.0.

6.17 Restrictions on Subsidiary Dividends. The Borrower will not, nor will it permit any Significant Subsidiary (other than any Project Finance Subsidiary) to, be a party to any agreement prohibiting or restricting the ability of such Significant Subsidiary to declare or pay dividends to the Borrower.

---

## ARTICLE VII

### DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1 Any representation or warranty made or deemed made by or on behalf of the Borrower to the Lenders or the Administrative Agent under or in connection with this Agreement, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2 Nonpayment of principal of any Loan when due, nonpayment of any Reimbursement Obligations within one Business Day after the same becomes due, or nonpayment of interest upon any Loan or of any fee or other obligation under any of the Loan Documents within five days after the same becomes due.

7.3 The breach by the Borrower of any of the terms or provisions of Section 6.3, 6.10 (with respect to the Borrower and its Significant Subsidiaries only), 6.11, 6.12, 6.13, 6.15, 6.16 or 6.17.

7.4 The breach by the Borrower (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement which is not remedied within 30 days after the earlier of (a) the Borrower becoming aware of such breach and (b) receipt by the Borrower of written notice from the Administrative Agent or any Lender; provided that if such breach is capable of cure but (i) cannot be cured by payment of money and (ii) cannot be cured by diligent efforts within such 30-day period, but such diligent efforts shall be properly commenced within such 30-day period and the Borrower is diligently pursuing, and shall continue to pursue diligently, remedy of such failure, the cure period shall be extended for an additional 90 days, but in no event beyond the Facility Termination Date or (if the Borrower has elected the Term-Out Option) the Maturity Date.

7.5 Failure of the Borrower or any of its Significant Subsidiaries to pay when due any Indebtedness aggregating in excess of \$25,000,000 ("Material Indebtedness"); or the default by the Borrower or any of its Significant Subsidiaries in the performance of any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become due prior to its stated maturity; or any Material Indebtedness of the Borrower or any of its Significant Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any of its Significant Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6 The Borrower or any of its Significant Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up,

40

---

liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate, partnership or limited liability company action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7 Without the application, approval or consent of the Borrower or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Borrower or any of its Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days.

7.8 Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of, all or any portion of the Property of the Borrower and its Subsidiaries which, when taken together with all other Property of the Borrower and its Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such action occurs, constitutes a Substantial Portion.

7.9 The Borrower or any of its Significant Subsidiaries shall fail within 30 days to pay, bond or otherwise discharge (i) any judgment or order for the payment of money in excess of \$25,000,000 (either singly or in the aggregate with other such judgments) or (ii) any non-monetary final judgment that has, or could reasonably be expected to have, a Material Adverse Effect, in either case which is not stayed on appeal or otherwise being appropriately contested in good faith.

7.10 A Change of Control shall occur.

7.11 A Reportable Event shall have occurred with respect to a Plan which could reasonably be expected to have a Material Adverse Effect and, 30 days after notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, such Reportable Event shall still exist.

7.12 Any authorization or approval or other action by any governmental authority or regulatory body required for the execution, delivery or performance of this Agreement or any other Loan Document by the Borrower shall fail to have been obtained or be terminated, revoked or rescinded or shall otherwise no longer be in full force and effect, and such occurrence shall (i) adversely affect the enforceability of the Loan Documents against the Borrower and (ii) to the extent that such occurrence can be cured, shall continue for five days.

41

---

7.13 The Borrower shall fail to own, directly or indirectly, all of the outstanding stock of KCPL which, in the absence of any contingency, has the right to vote in an election of directors of KCPL.

## ARTICLE VIII

### ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1 Acceleration; Letter of Credit Account.

(a) If any Default described in Section 7.6 or 7.7 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of the Issuer to issue Letters of Credit shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent, any Lender or the Issuer and the Borrower will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Administrative Agent an amount in immediately available funds, which funds shall be held in the LC Collateral Account, equal to the excess of (i) the amount of Letter of Credit Obligations at such time over (ii) the amount on deposit

in the LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount"). If any other Default occurs, the Administrative Agent may with the consent, or shall at the request, of the Required Lenders, (x) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the Issuer to issue Letters of Credit, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives, and (y) upon notice to the Borrower and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent in immediately available funds the Collateral Shortfall Amount, which funds shall be deposited in the LC Collateral Account.

If (a) within 30 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to the Borrower) and (b) before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2 Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided that no such supplemental agreement shall, without the consent of all of the Lenders:

42

- 
- (i) Extend the final maturity of any Loan to a date after the Facility Termination Date or (if the Borrower has elected the Term-Out Option) the Maturity Date or extend the expiry date of any Letter of Credit to a date after the Maturity Date or forgive all or any portion of the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon.
  - (ii) Reduce the percentage specified in the definition of Required Lenders.
  - (iii) Extend the Facility Termination Date or the Maturity Date, or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.2, or increase the amount of the Commitment of any Lender hereunder, or permit the Borrower to assign its rights under this Agreement.
  - (iv) Amend this Section 8.2.
  - (v) Release any funds from the LC Collateral Account, except to the extent such release is expressly permitted hereunder.

No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent, and no amendment of any provision of this Agreement relating to the Issuer shall be effective without the written consent of the Issuer. The Administrative Agent may waive payment of the fee required under Section 12.3.2 without obtaining the consent of any other party to this Agreement.

8.3 Preservation of Rights. No delay or omission of the Lenders, the Issuer or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent, the Lenders and the Issuer until the Obligations have been paid in full.

## ARTICLE IX

### GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

43

9.3 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, the Lenders and the Issuer and supersede all prior agreements and understandings among the Borrower, the Administrative Agent, the Lenders and the Issuer relating to the subject matter thereof other than the fee letter described in Section 10.13.

9.5 Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns; provided that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6 Expenses; Indemnification.

(i) The Borrower shall reimburse the Administrative Agent and the Arranger for any reasonable costs and expenses (including fees and charges of outside counsel for the Administrative Agent) paid or incurred by the Administrative Agent or the Arranger in connection with the preparation, negotiation, execution, delivery, syndication, distribution (including via the internet), review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Arranger, the Lenders and the Issuer for any reasonable costs, internal charges and expenses (including fees and charges of attorneys for the Administrative Agent, the Arranger, the Lenders and the Issuer, which attorneys may be employees of the Administrative Agent, the Arranger, the Lenders or the Issuer) paid or incurred by the Administrative Agent, the Arranger, any Lender or the Issuer in connection with the collection and enforcement, attempted enforcement, and preservation of rights and remedies under, of the Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding).

(ii) The Borrower hereby further agrees to indemnify the Administrative Agent, the Arranger, each Lender, the Issuer, their respective affiliates and the directors, officers and employees of the foregoing against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all expenses of litigation or preparation therefor whether or not the Administrative Agent, the Arranger, any Lender or the Issuer or any affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder except to the extent that they are

---

determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. The obligations of the Borrower under this Section 9.6 shall survive the payment of the Obligations and termination of this Agreement.

9.7 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders.

9.8 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

9.9 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10 Nonliability of Lenders. The relationship between the Borrower on the one hand and the Lenders, the Issuer and the Administrative Agent on the other hand shall be solely that of borrower and lender. None of the Administrative Agent, the Arranger, any Lender or the Issuer shall have any fiduciary responsibilities to the Borrower. Neither the Administrative Agent, the Arranger, any Lender nor the Issuer undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that none of the Administrative Agent, the Arranger, any Lender or the Issuer shall have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. None of the Administrative Agent, the Arranger, any Lender or the Issuer shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any

special, indirect or consequential damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

#### 9.11 Limited Disclosure.

(a) Notwithstanding anything to the contrary herein, the Borrower, each Lender and the Administrative Agent hereby agree that, from the commencement of discussions with respect to the facility established by this Agreement (the "Facility"), the Borrower, each Lender and the Administrative Agent (and each of their respective, and their respective Affiliates', employees, officers, directors, representatives, advisors and agents) are permitted to disclose to any and all Persons, without limitation of any kind, the structure and tax aspects (as such terms are used in sections 6011 and 6111 of the Code) of

45

---

the Facility, and all materials or any kind (including opinions or other tax analyses) that are provided to the Borrower, any Lender or the Administrative Agent related to such structure and tax aspects. In this regard, each of the Borrower, each Lender and the Administrative Agent acknowledges and agrees that the disclosure of the structure or tax aspects of the Facility is not limited in any way by an express or implied understanding or agreement, oral or written (whether or not such understanding or agreement is legally binding). Furthermore, each of the Borrower, each Lender and the Administrative Agent acknowledges and agrees that it does not know or have reason to know that its use or disclosure of information relating to the structure or tax aspects of the Facility is limited in any other manner (such as where the Facility is claimed to be proprietary or exclusive) for the benefit of any other Person.

(b) Neither the Administrative Agent nor any Lender may disclose to any Person any Specified Information (as defined below) except to its, and its Affiliates', officers, employees, agents, accountants, legal counsel, advisors and other representatives who have a need to know such Specified Information. "Specified Information" means information that the Borrower furnishes to the Administrative Agent or any Lender in a writing designated as confidential, but does not include any such information that (i) relates to the "structure" or "tax aspects" of the transactions contemplated by this Agreement, as such terms are used in Sections 6011, 6111 and 6112 of the Code and the regulations promulgated thereunder or (ii) is or becomes generally available to the public or that is or becomes available to the Administrative Agent or such Lender from a source other than the Borrower.

(c) The provisions of clause (b) above shall not apply to Specified Information (i) that is a matter of general public knowledge or has heretofore been or is hereafter published in any source generally available to the public, (ii) that is required to be disclosed by law, regulation or judicial order, including pursuant to the tax shelter regulations under Sections 6011, 6111 and 6112 of the Code, (iii) that is requested by any regulatory body with jurisdiction over the Administrative Agent or any Lender, or (iv) that is disclosed to legal counsel, accountants and other professional advisors to such Lender, in connection with the exercise of any right or remedy hereunder or under any Note or any suit or other litigation or proceeding relating to this Agreement or any Note, to a rating agency if required by such agency in connection with a rating relating to Credit Extensions hereunder or to assignees or participants or potential assignees or participants who agree to be bound by the provisions of this Section 9.11.

(d) The provisions of this Section 9.11 supersede any confidentiality obligations of any Lender or the Administrative Agent relating to the Facility under any agreement between the Borrower and any such party. The parties hereto agree that any such confidentiality obligations of any Lender or the Administrative Agent shall be deemed void ab initio to the extent the same relate to the Facility.

9.12 Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) for the repayment of the Loans provided for herein.

46

---

## ARTICLE X

### THE ADMINISTRATIVE AGENT

10.1 Appointment; Nature of Relationship. (a) Bank One is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Administrative Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Administrative Agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Administrative Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to any of the Lenders and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

(b) The Issuer shall act on behalf of the Lenders with respect to any Letter of Credit issued by it and the documents associated therewith. The Issuer shall have all of the benefits and immunities provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by the Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent", as used in this Article X, included the Issuer with respect to such acts or omissions and as additionally provided in this Agreement with respect to the Issuer.

10.2 Powers. The Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Administrative Agent.

10.3 General Immunity. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4 No Responsibility for Loans, Recitals, etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document

47

---

or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including any agreement by an obligor to furnish information directly to each Lender; (iii) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Administrative Agent; (iv) the existence or possible existence of any Default or Unmatured Default; (v) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (vi) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (vii) the financial condition of the Borrower or any guarantor of any of the Obligations or of any of the Borrower's or any such guarantor's respective Subsidiaries. The Administrative Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Administrative Agent at such time, but is voluntarily furnished by the Borrower to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity).

10.5 Action on Instructions of Lenders. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders or all Lenders, as appropriate, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 Employment of Agents and Counsel. The Administrative Agent may execute any of its duties as Administrative Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Administrative Agent and the Lenders and all matters pertaining to the Administrative Agent's duties hereunder and under any other Loan Document.

10.7 Reliance on Documents; Counsel. The Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent.

10.8 Administrative Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Administrative Agent, ratably in proportion to their respective Pro Rata Shares, (i) for any amounts not reimbursed by the Borrower for which the Administrative Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including for any expenses incurred by the

48

---

Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or

disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including for any such amounts incurred by or asserted against the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents; provided that no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Administrative Agent. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders.

10.10 Rights as a Lender. In the event the Administrative Agent is a Lender, the Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Loans as any Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, at any time when the Administrative Agent is a Lender, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person.

10.11 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Arranger, the Issuer or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arranger, the Issuer any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Administrative Agent or, if no successor Administrative Agent has been appointed, 45 days after the retiring Administrative Agent gives notice of its intention to resign. The Administrative Agent may be removed at any time with or without cause by written notice received by the Administrative Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders; provided that the Administrative Agent may not be removed unless the Administrative Agent (in its individual capacity) and any affiliate thereof acting as Issuer is relieved of all of its duties as Issuer pursuant to documentation reasonably satisfactory to such Person on or prior to the date of such removal. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders within 30 days after the resigning Administrative Agent's giving notice of its intention to resign, then the resigning Administrative Agent may appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. Notwithstanding the previous sentence, the Administrative Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Administrative Agent hereunder. If the Administrative Agent has resigned or been removed and no successor Administrative Agent has been appointed within the applicable time period, the Lenders may perform all the duties of the Administrative Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Administrative Agent shall be deemed to be appointed hereunder until such successor Administrative Agent has accepted the appointment. Any such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$100,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Administrative Agent. Upon the effectiveness of the resignation or removal of the Administrative Agent, the resigning or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Administrative Agent, the provisions of this Article X shall continue in effect for the benefit of such Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent.

10.13 Administrative Agent's Fee. The Borrower agrees to pay to the Administrative Agent, for its own account, the fees agreed to by the Borrower and the Administrative Agent pursuant to the letter agreement dated January 28, 2003 or as otherwise agreed from time to time.

10.14 Delegation to Affiliates. The Borrower and the Lenders agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles IX and X.

---

## ARTICLE XI

### **SETOFF; RATABLE PAYMENTS**

11.1 Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due.

11.2 Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5 and payments made to the Issuer in respect of Reimbursement Obligations so long as the Lenders have not funded their participations therein) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in accordance with their respective Pro Rata Shares. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

## ARTICLE XII

### **BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS**

12.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 12.3. Notwithstanding clause (ii) of this Section, any Lender may at any time, without the consent of the Borrower or the Administrative Agent, assign all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank; provided that no such assignment to a Federal Reserve Bank shall release the transferor Lender from its obligations hereunder. The Administrative Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3 in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with the Administrative Agent. Any assignee or transferee of the rights to any Loan or any Note agrees by acceptance of such transfer or assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder, transferee or assignee of the rights to such Loan.

---

### 12.2 Participations.

12.2.1 Permitted Participants; Effect. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other Persons ("Participants") participating interests in any Outstanding Credit Exposure owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest, right and/or obligation of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2 Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Commitment in which such Participant has an interest which forgives principal, Reimbursement Obligations, interest or fees, reduces the interest rate or fees payable with respect to any such Credit Extension or Commitment, extends the Facility Termination Date or the Maturity Date,

postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Credit Extension or Commitment or releases any funds from the LC Collateral Account, except to the extent such release is expressly permitted hereunder.

12.2.3 Benefit of Setoff. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents; provided that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender.

### 12.3 Assignments.

52

12.3.1 Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the Administrative Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate thereof; provided that if a Default has occurred and is continuing, the consent of the Borrower shall not be required. Such consent shall not be unreasonably withheld or delayed. Each such assignment shall (unless each of the Borrower and the Administrative Agent otherwise consents or such assignment is to a Lender or an Affiliate of a Lender) be in an amount not less than the lesser of (i) \$5,000,000 or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such assignment) or outstanding Loans (if such Lender's Commitment has been terminated).

12.3.2 Effect of Assignment; Effective Date. Upon (i) delivery to the Administrative Agent of a notice of assignment, substantially in the form attached as Schedule I to Exhibit C (a "Notice of Assignment"), together with each consent required by Section 12.3.1, and (ii) payment of a \$4,000 fee to the Administrative Agent for processing such assignment, (A) such assignment shall become effective on the effective date specified in such Notice of Assignment and (B) the transferor Lender shall, to the extent provided in such Notice of Assignment, be released from its obligations under this Agreement (and in the case of a Notice of Assignment covering all of the transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and the Outstanding Credit Exposure under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and the Aggregate Outstanding Credit Exposure assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.2, the transferor Lender, the Administrative Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

12.4 Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries; provided that each Transferee and prospective Transferee agrees to be bound by Section 9.11.

53

12.5 Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

## ARTICLE XIII

### NOTICES

13.1 **Notices.** Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (i) in the case of the Borrower or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (ii) in the case of any Lender, at its address or facsimile number set forth below its signature hereto or (iii) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower in accordance with the provisions of this Section 13.1. Each such notice, request or other communication shall be effective (a) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (b) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (c) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Administrative Agent under Article II shall not be effective until received.

13.2 **Change of Address.** The Borrower, the Administrative Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

#### **ARTICLE XIV**

##### **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower, the Administrative Agent and the Lenders and each party has notified the Administrative Agent by facsimile transmission or telephone that it has taken such action.

54

---

#### **ARTICLE XV**

##### **OTHER AGENTS**

No Lender identified on the cover page, the signature pages or otherwise in this Agreement, or in any document related hereto, as being the "Syndication Agent" or the "Senior Managing Agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement in such capacity other than those applicable to all Lenders. Each Lender acknowledges that it has not relied, and will not rely, on the Syndication Agent or the Senior Managing Agent in deciding to enter into this Agreement or in taking or refraining from taking any action hereunder or pursuant hereto.

#### **ARTICLE XVI**

##### **termination of existing credit facility**

The Lenders which are parties to the Existing Credit Facility (and which constitute "Required Lenders" under and as defined in the Existing Credit Facility) hereby waive any advance notice requirement for terminating the commitments under the Existing Credit Facility, and the Borrower and such Lenders agree that the Existing Credit Facility shall be terminated on the date of the initial Credit Extension hereunder (except for any provisions thereof which by their terms survive termination thereof).

#### **ARTICLE XVII**

##### **CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL**

17.1 **CHOICE OF LAW.** THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

17.2 **CONSENT TO JURISDICTION.** THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY LENDER OR THE ISSUER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE

55

AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

17.3 WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT, EACH LENDER AND THE ISSUER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

56

IN WITNESS WHEREOF, the Borrower, the Lenders, the Issuer and the Administrative Agent have executed this Agreement as of the date first above written.

GREAT PLAINS ENERGY INCORPORATED

By: /s/ Andrea F. Bielsker  
Title: Senior Vice President-Finance, Chief  
Financial Officer and Treasurer

Address:  
1201 Walnut  
Kansas City, Missouri 64141  
Attention: Andrea F. Bielsker, Treasurer  
Telephone: 816-556-2595  
Fax: 816-556-2992  
Email: Andrea.Bielsker@kcpl.com

BANK ONE, NA (Main Office Chicago),  
as Administrative Agent, as Issuer and as a Lender

By: /s/ Sharon K. Webb  
Title: Sharon K. Webb  
Associate Director

Address:  
1 Bank One Plaza  
Chicago, Illinois 60670  
Attention: Nancy R. Barwig  
Telephone: 312-732-7579  
Fax: 312-732-5435  
Email: Nancy\_R\_Barwig@bankone.com

Operations Contact:

Attention: Claudia Kech  
Telephone: 312-732-1031  
Fax: 312-732-4840  
Email: Claudia\_Kech@bankone.com

BNP PARIBAS, as Syndication Agent and as a Lender

By: /s/ Mark A. Renaud  
Title: Mark A. Renaud  
Managing Director

By: /s/ Andrew S. Platt  
Title: Andrew S. Platt  
Vice President

Address:  
787 Seventh Avenue

New York, New York 10019  
Attention: Frank DeLaney  
Telephone: 212-841-2845  
Fax: 212-841-2052/2555/2203  
Email: francis.delaney@americas.bnpparibas.com

Operations Contact:  
919 Third Avenue  
New York, New York 10022-1278  
Attention: Tecla Hurley  
Telephone: 212-471-6651  
Fax: 212-471-6697  
Email: tecla.hurley@americas.bnpparibas.com

---

THE BANK OF NEW YORK, as Senior Managing  
Agent and as a Lender

By: /s/ Nathan S. Howard  
Title: Nathan S. Howard

Address:  
One Wall Street  
New York, New York 10286  
Attention: Nathan S. Howard  
Telephone: 212-635-7916  
Fax: 212-635-7923  
Email: nhoward@bankofny.com

Operations Contact:  
Attention: Kareen Sinclair  
Telephone: 212-635-7532  
Fax: 212-635-7923

---

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ Dennis J. Campbell II  
Title: Senior Vice President

Address:  
135 S. LaSalle Street  
Chicago, Illinois 60603  
Attention: Denis J. Campbell  
Telephone: 312-904-4497  
Fax: 312-904-1994

Operations Contact:  
Attention: Brenda Porch  
Telephone: 312-904-6237  
Fax: 312-904-1994

---

THE BANK OF NOVA SCOTIA

By: /s/ John Malloy  
John Malloy  
Title: Managing Director

Address:  
1 Liberty Plaza, Floors 22-26  
165 Broadway  
New York, NY 10006

United States  
Power-Originations

Operations Contact:  
Allyson Mohan  
600 Peachtree Street NE  
Suite 2700  
Atlanta, Georgia 30308  
United States

---

BANK OF AMERICA, N.A.

By: /s/ Michelle A. Schoenfeld  
Title: Principal

Address:  
100 N. Tryon Street  
NC1-007-16-13  
Charlotte, North Carolina 28255  
Attention: Michelle A. Schoenfeld  
Telephone: 704-386-1432  
Fax: 704-386-1319  
Email: michelle.a.schoenfeld@bankofamerica.com

Operations Contact:  
900 Main Street  
TX1-492-14-05  
Dallas, Texas 75202  
Attention: Eldred Sholars  
Telephone: 214-209-4111  
Fax: 214-290-9422  
Email: eldred.sholars@bankofamerica.com

---

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Thomas A. Majeski  
Title: Vice President

Address:  
One PNC Plaza, 2<sup>nd</sup> Floor  
249 Fifth Avenue  
Pittsburgh, Pennsylvania 15222-2707  
Attention: Thomas Majeski  
Telephone: 412-762-2431  
Fax: 412-762-7353  
Email: thomas.majeski@pncbank.com

Operations Contact:  
Firstside Center, 4<sup>th</sup> Floor  
500 First Avenue  
Pittsburgh, Pennsylvania 15219  
Attention: Tina Lanuka  
Telephone: 412-768-5876  
Fax: 412-768-4586  
Email: tina.lanuka@pncbank.com

---

COBANK, ACB

By: /s/ Cathleen Reed  
Cathleen D. Reed

Title: Assistant Vice President

Address:

5500 South Quebec Street  
Greenwood Village, Colorado 80111  
Attention: Todd Telesz  
Telephone: 303-740-4037  
Fax: 303-224-2615  
Email: ttelesz@cobank.com

Operations Contact:

Attention: Deann Sullivan  
Telephone: 303-740-4315  
Fax: 303-740-4021  
Email: dsullivan@cobank.com

---

#### U.S. BANK, NATIONAL ASSOCIATION

By: /s/ John P. Mills  
Title: John P. Mills  
Vice President

Address:

1101 Walnut, 7<sup>th</sup> Floor  
Kansas City, Missouri 64106  
Attention: John Mills  
Telephone: 816-871-2174  
Fax: 816-871-2226  
Email: john.p.mills@usbank.com

Operations Contact:

400 City Center  
Oshkosh, Wisconsin 54901  
Attention: Connie Sweeney  
Telephone: 920-237-7604  
Fax: 920-237-7993

---

#### MERRILL LYNCH BANK USA

By: /s/ Louis Alder  
By: Louis Alder  
Title: Vice President

Address:

15 W. South Temple, Suite 300  
Salt Lake City, Utah 84101  
Attention: Dave Millett  
Telephone: 801-526-8312  
Fax: 801-531-7470  
Email: Dave\_Millett@ml.com

Operations Contact:

Attention: Julie Young  
Telephone: 801-526-8331  
Fax: 801-359-4667  
Email: Julie\_Young@ml.com

---

**SETTLEMENT AGREEMENT AND PLAN TERM SHEET**

THIS SETTLEMENT AGREEMENT AND PLAN TERM SHEET (the "Holdings Settlement Agreement" or the "Agreement") is made and entered into as of March 14, 2003, by and between DTI Holdings, Inc. ("Holdings"), KLT Telecom Inc. ("KLTT"), KLT Inc. ("KLTI"), Great Plains Energy Incorporated ("GPE"), Kansas City Power & Light Company ("KCPL") (KLTT, KLTI, GPE and KCPL are collectively hereinafter referred to as "KLT"), Oaktree Capital Management, LLC ("Oaktree"), The Bank of New York (in its capacity as trustee of the Indenture as defined hereafter) (the "Trustee"), First Plaza Contrarian Capital Advisors ("Contrarian"), and Pacholder Associates Inc. ("Pacholder") (Oaktree, Contrarian, and Pacholder are collectively hereinafter referred to as the "Noteholders"), with reference to the following recitals:

WHEREAS, on December 31, 2001 (the "Petition Date"), in the Eastern District of Missouri, St. Louis division, chapter 11 bankruptcy cases were commenced pursuant to the United States Bankruptcy Code, 11 U.S.C. (section symbol) 101 et. seq (the "Code") by: (a) Holdings, assigned Case No. 01-54370-399 (the "Holdings Case"); (b) Digital Teleport, Inc. ("Teleport"), a subsidiary of Holdings, assigned Case No. 01-54369-399 (the "Teleport Case"); and (c) Digital Teleport of Virginia, Inc. ("Virginia"), a subsidiary of Holdings, assigned Case No. 01-54371-399 (the "Virginia Case") (Holdings, Teleport, and Virginia are hereinafter collectively referred to as "DTI," and the Virginia Case, the Holdings Case, and the Teleport Case are hereinafter collectively referred to as the "DTI Cases"); and

WHEREAS prior to the Petition Date, the Trustee and Holdings executed an Indenture, dated as of February 23, 1998, as amended by the First Supplement and Amendment to Trust Indenture, dated as of February 1, 2001 (collectively, the "Indenture"); and

WHEREAS, in the Teleport Case, the Official Unsecured Creditors Committee of Digital Teleport, Inc. (the "Committee") was appointed by the office of the United States Trustee pursuant to 11 U.S.C. (section symbol) 1102; and

WHEREAS, during the course of the DTI Cases, the Committee, Oaktree (on behalf of the Noteholders), Teleport and Holdings assert that they investigated the acts of KLT and its affiliates (the "Investigation"); and

WHEREAS, as a result of the Investigation, KLT was informed of certain alleged claims and causes of action that the Committee, the Noteholders, Teleport and/or Holdings could assert against, and/or otherwise had considered with respect to, KLT in one or more of the DTI Cases (the "Causes"), which Causes KLT contends are without merit; and

WHEREAS, in the Teleport Case, Teleport has sought a buyer for substantially all of its assets to consummate a sale pursuant to 11 U.S.C. (section symbol) 363 (the "Sale") and also explored the possibility of a stand-alone reorganization; and

---

WHEREAS, as a result of Teleport's efforts, CenturyTel Fiber Company II, LLC ("Century") was identified as a potential buyer of Teleport's assets (the "Assets") in the Sale; and

WHEREAS, Teleport, Century and CenturyTel, Inc., Century's parent company, entered into an Asset Purchase Agreement, dated December 26, 2002, regarding the Sale (the "Asset Sale Agreement"); and

WHEREAS, in the Asset Sale Agreement, \$3.8 million of the purchase price is to be escrowed subject to certain conditions (the "Escrow"); and

WHEREAS, on February 13, 2003, the Sale to Century was approved by the court presiding over the Teleport Case by entry of an order pursuant to 11 U.S.C. (section symbol) 363 (the "Sale Order"); and

WHEREAS, it is anticipated that upon closing of the Sale and the full release of the Escrow to Teleport, proceeds from the Sale plus Teleport's cash on hand will total approximately \$47 million (the "Anticipated Proceeds"); and

WHEREAS, if KLT is successful in its defense of the Causes, KLT asserts that the entirety of the Anticipated Proceeds would be distributed solely to KLTT; and

WHEREAS, if Holdings, Teleport, the Noteholders and the Committee are successful in prosecuting the Causes against KLT, DTI asserts that Teleport's creditors would be paid 100% of their claims from the Anticipated Proceeds plus interest thereon and the Noteholders would be paid a significant percentage of their claims from the residual; and

WHEREAS, on December 23, 2002, a Settlement Agreement was executed by Teleport, the Committee, and KLT respecting the Teleport Case (the "Teleport Settlement Agreement"); and

WHEREAS, on January 31, 2003, Teleport and Virginia filed a Joint Plan under Chapter 11 of the Code (the "Teleport Plan") and a Joint Disclosure Statement of Debtors with respect to the Teleport Plan (the "Teleport Disclosure Statement"), which incorporates the operative provisions of the Teleport Settlement Agreement; and

WHEREAS, a hearing to consider the approval of the Teleport Settlement Agreement pursuant to Fed. R. Bankr. P. 9019 was scheduled for February 18, 2003 (the "Teleport Settlement Agreement Hearing"); and

WHEREAS, Oaktree has expressed its intent to object to the Teleport Settlement Agreement and the Teleport Plan; and

WHEREAS, the Noteholders are the beneficial owners of not less than fifty percent (50%), of the total face amount of the Outstanding Notes (as defined in the Indenture) issued by Holdings in connection with the Indenture (all of the Outstanding Notes issued by Holdings in connection with the Indenture being referred to herein as the "Outstanding Notes"); and

---

WHEREAS, the parties to this Holdings Settlement Agreement believe that litigation over the approval of the Teleport Settlement Agreement and confirmation of the Teleport Plan, and prosecution of the Causes by the Noteholders and/or Holdings, and the defense thereof by KLT, will be expensive, will take substantial periods of time, will likely delay distributions to Holdings' creditors, if any, and Teleport's creditors, and are subject to litigation risks and uncertainties for all parties hereto.

NOW, THEREFORE, in consideration of the premises, the covenants and the agreements hereinafter set forth, and intending to be legally bound, the parties hereto agree as follows:

### **AGREEMENT**

1. **Amended Plan and Disclosure Statement.** To effectuate this Holdings Settlement Agreement, the Teleport Plan and the Teleport Disclosure Statement will be amended to (a) add Holdings as a joint proponent of such plan, and (b) include the terms and provisions set forth in this Holdings Settlement Agreement (the amended Teleport Plan and Teleport Disclosure Statement are hereinafter collectively referred to as the "Amended Plan"). The Amended Plan shall continue to contain the terms and provisions currently contained in the Teleport Plan, and as to the additional terms and conditions to be added pursuant to this Agreement, shall be in a form mutually acceptable to KLT, Holdings and the Noteholders.
  
2. **Specific Terms Under the Amended Plan.**
  - a. The Amended Plan shall provide that from the Anticipated Proceeds allocated to KLTT under the Teleport Settlement Agreement, at the request and direction of KLTT, Teleport shall pay to Holdings the sum of Thirteen Million Seven Hundred Fifty Thousand Dollars (\$13,750,000) plus the sum set forth in subparagraph (c) of this paragraph (the "Additional Sum") (the payment of \$13,750,000 plus the Additional Sum are collectively hereinafter referred to as the "Teleport Payment") and, from which, Holdings shall make the following payments: (i) the payment of all administrative and priority claims allowed in the Holdings Case (collectively the "Holdings Priority Claims"); (ii) the payment to Gary Douglass of an amount equal to the Percentage (as defined in subparagraph (d) of this paragraph) multiplied by the allowed amount of Gary Douglass' unsecured claim, if any, in the Holdings Case (the "Allowed Douglass Claim") (Gary Douglass having filed a proof of claim in the Holdings Case in the amount of \$1.1 million); (iii) the payment of fees and expenses of Armstrong Teasdale LLP, counsel to the Noteholders, for its legal work in this matter, (iv) the payment of the fees and expenses of the Trustee, including fees and expenses of the Trustee's counsel, and (v) the payment of the balance of the Teleport Payment to the Trustee for payment to the record holders of Outstanding Notes, for the pro rata benefit of the beneficial owners of the Outstanding Notes (the "Noteholders' Payment").
  
  - b. The Amended Plan shall provide that the Noteholders' Payment shall be paid by Holdings promptly after the occurrence of each of the following: (i) the entry of a Final Order (as defined in the Teleport Plan) confirming the Amended Plan, (ii) the Sale having closed, (iii) the Sale's purchase price (other than the Escrow) having been paid to and received by Teleport, (iv) the Teleport Payment having been paid by Teleport to Holdings, and (v) the satisfaction of any other conditions to the obligations of KLTT hereunder, all of which are capable of being waived by KLTT. The Amended Plan also shall provide that the Noteholders' Payment shall be paid on the same business day as payments are made to KLTT and to or for the benefit of the unsecured creditors of Teleport.
  
  - c. The Additional Sum shall equal to the sum of (i) 100% of the allowed amount of the priority claim, if any, of the City of New York, said claim having been filed by the City of New York in the Holdings Case in the amount of \$23,100 (the "NYC Claim"), plus (ii) 100% of the allowed amount of the priority claim of the Internal Revenue Service in the Holdings Case, if any, said claim having been scheduled by Holdings in the amount of \$373,168 (the "IRS Claim"), plus (iii) 100% of the product of the Percentage multiplied by the sum of the amount of the Allowed Douglass Claim, if any, plus the unsecured portion, if any, of the NYC Claim, plus the unsecured portion, if any, of the IRS Claim; plus (iv) 100% of the Holdings Priority Claims not included in subsections (i) (iii) of this subsection.

- d. The Percentage is a fraction that has as its numerator the amount of \$13,750,000 and that has as its denominator the amount of \$218,000,151.
- e. The Amended Plan shall provide that any and all equity interests in Holdings shall be cancelled and extinguished upon confirmation of the Amended Plan without any further act or deed. The Amended Plan also shall provide that, other than the NYC Claim, the IRS Claim, the Allowed Douglass Claim, the claim of the Trustee (on behalf of the record and beneficial owners of the Outstanding Notes) and the claim of KLTT, there are no claims against the bankruptcy estate of Holdings.
- f. The Amended Plan shall provide for the mutual releases and the claims assignments set forth hereafter.

3. **Failure of Sale to Close.** Within sixty (60) days after the failure of the Sale to close, KLTT, at KLTT's option, may cause the payments set forth in paragraph 2 hereof otherwise payable to the Trustee to be made to the Trustee for the benefit of the holders of the Outstanding Notes for the pro rata benefit of the beneficial owners of the Outstanding Notes in any fashion and pursuant to any structure that KLTT deems appropriate in its sole and absolute discretion.

---

4. **Full and Final Satisfaction.** The Amended Plan shall provide that the Noteholders' Payment to be made pursuant to the alternative mechanisms set forth in either paragraphs 2 or 3 of this Agreement shall be in full and final satisfaction of all claims that Holdings, the record and beneficial owners of the Outstanding Notes, or the Trustee have or could assert against KLT or any of its affiliates in any or all of the DTI Cases or otherwise.

5. **Deconsolidation.** Holdings, the Trustee, and the Noteholders shall not object to any motion filed by KLTT or any of its affiliates seeking bankruptcy court approval in all or any of the DTI Cases to: (a) cause Holdings and its subsidiaries to no longer be part of the consolidated tax group in which KLTT and its affiliates are members and Great Plains Energy Incorporated ("GPE") is the parent corporation and taxpayer, and/or (b) take a worthless stock or asset deduction with respect to KLTT's investment in Holdings and its subsidiaries (collectively the "KLTT Transaction"); *provided however* that any such motion shall seek to implement the KLTT Transaction in such a manner that the KLTT Transaction is deemed to have occurred at the instant before closing of the Sale has occurred.

6. **Release.** The Amended Plan shall provide the following releases:

a. **For KLT.** Upon completion of the payments set forth in paragraphs 2 or 3 of this Agreement, Holdings, the Noteholders, the Trustee, for itself and on behalf of the record and beneficial owners of the Outstanding Notes, the bankruptcy estate of Holdings, and their respective predecessors, successors, employees, officers, directors, subsidiaries, affiliates, shareholders, partners, agents and assigns, any chapter 7 or 11 trustees in the Holdings Case, their agents, and any parties claiming by, through or on behalf of any of them (collectively the "KLTT Releasers"), shall be deemed to have released, acquitted and forever discharged KLTT, KLTI, GPE, KCPL, and any and all corporations or other entities currently or previously a member of a consolidated tax group in which KLTT was or is a member and GPE or KCPL is or was the parent corporation and taxpayer, and their respective predecessors, successors, employees, officers, directors, subsidiaries, affiliates, shareholders, partners, agents, and assigns (collectively, the "KLTT Releasees") from any and all causes of action, suits, controversies, claims, demands, obligations, or damages whatsoever, which the KLTT Releasers had, have, or could have had, against any of the KLTT Releasees from the beginning of time to the date of the confirmation of the Amended Plan, in any way regarding, relating to or in connection with DTI based upon any theory at law or in equity, including but not limited to any theory based in whole or in part upon breach of contract, estoppel, avoidance under 11 U.S.C. (section symbol) (section symbol) 542-553, any provision of the Code, fraudulent transfer pursuant to any applicable non bankruptcy law, equitable subordination, third party beneficiary, tort, and fraud.

b. **For the Noteholders.** Upon completion of the payments set forth in paragraphs 2 or 3 of this Agreement, Holdings, the bankruptcy

---

estate of Holdings, any chapter 7 or 11 trustees in the Case, and their respective predecessors, successors, employees, officers, directors, subsidiaries, affiliates, shareholders, partners, agents, and assigns, and the KLTT Releasees (collectively, the "Noteholder Releasers") shall be deemed to have released, acquitted and forever discharged the Noteholders, the Trustee, and their respective predecessors, successors, employees, officers, directors, subsidiaries, affiliates, shareholders, partners, agents, and assigns (collectively, the "Noteholder Releasees") and Holdings and its successors, predecessors, and assigns (collectively the "Holdings Releasees") from any and all causes of action, suits, controversies, claims, demands, obligations, or damages whatsoever, which the Noteholder Releasers had, have, or could have had, against any of the Noteholder Releasees or any of the Holdings Releasees from the beginning of time to the date of the confirmation of the Amended Plan, in any way regarding, relating to or in connection with DTI based upon any theory at law or in equity, including but not limited to any theory based in whole or in part upon breach of contract, estoppel, avoidance under 11 U.S.C. (section symbol) (section symbol) 542-553, any provision of the Code, fraudulent transfer pursuant to any applicable non bankruptcy law, equitable subordination, third party beneficiary, tort, and fraud.

c. Nothing contained in the releases set forth herein shall serve in any way to diminish the operation, validity or effect of paragraph 7 of this Holdings Settlement Agreement.

d. In addition, the acceptance of the payments described in paragraphs 2 or 3 hereof by any creditor in the Holdings Case shall constitute an accord and satisfaction of any and all claims that such creditor has, had, or may have against DTI and/or the KLTT Releasees.

7. **Assignment of Claims and Rights.** The Amended Plan shall provide that any and all claims and causes of action of Holdings, the Holdings bankruptcy estate, the Trustee (for itself and on behalf of the record and beneficial owners of the Outstanding Notes), and the Noteholders against Richard Weinstein, any officer or director of DTI, or any other person or entity, whether in existence prior to or after the date of this Holdings Settlement Agreement, are assigned to KLTT. The Amended Plan also shall provide that any and all claims and causes of action that any person or entity, as a party in interest, could bring for or on behalf of Holdings against Richard Weinstein, any officer or director of DTI, or any other person or entity, whether in existence prior to or after the date of this Holdings Settlement Agreement, shall be assigned to KLTT. Moreover, the Amended Plan shall provide that KLTT, in its sole and absolute discretion, may release any such persons and entities with respect to any and all such assigned claims and causes of action.

8. **Teleport Settlement Agreement Hearing.** The Teleport Settlement Agreement Hearing and, subject to the requirements of paragraph 10 of this Agreement, any

---

objection of Oaktree thereto, shall be continued to be taken up at a hearing conducted in conjunction with confirmation of the Amended Plan.

9. **Conditions Precedent.** The obligations of KLTT under this Holdings Settlement Agreement shall be subject to the satisfaction of the following conditions, which may be waived by KLTT in its sole and absolute discretion:

a. the closing of the Sale pursuant to terms materially the same as contained in the Asset Sale Agreement; and

b. the entry of a confirmation order in a form acceptable to KLTT confirming the Amended Plan and such order becoming a Final Order (as defined in the Amended Plan); and

c. the amounts payable under the Amended Plan to KLTT having been paid to and received by KLTT;

d. the Allowed Douglass Claim not exceeding \$1.1 million;

e. the amount of the Anticipated Proceeds allocated to KLTT (inclusive of the Escrow, but prior to any reduction as a result of the Teleport Payment) under the Amended Plan not being less than \$30 million; and

f. the only claims against the bankruptcy estate of Holdings being the Allowed Douglass Claim, the claim of KLTT, the claim of the Trustee (on behalf of the record and beneficial owners of the Outstanding Notes), the NYC Claim, and the IRS Claim.

10. **Mutual Cooperation.** Holdings, the Noteholders and KLTT agree to cooperate fully and use their best efforts to carry out the terms of this Holdings Settlement Agreement, including (a) the prompt drafting, finalization, and confirmation of the Amended Plan, (b) the withdrawal of all pleadings previously filed by Oaktree in any of the DTI Cases opposing the extension of DTI's exclusive periods of plan filing and approval set forth in 11 U.S.C. (section symbol) 1121 in any of the DTI Cases, (c) the support by the Noteholders of the extension of such exclusive periods to permit the effectuation of this Holdings Settlement Agreement and confirmation and approval of the Amended Plan, and (d) the approval and confirmation of the Amended Plan.

11. **Successor and Assigns.** This Holdings Settlement Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

12. **Notices.** Unless otherwise provided herein, any notice, request, waiver, instruction, consent or document or other communication required or permitted to be given by this Holdings Settlement Agreement shall be effective only if it is in writing and (a) delivered by hand or sent by certified mail, return receipt requested, (b) if sent by a nationally-recognized overnight delivery service with delivery confirmed, or (c) if telexed or telecopied, with receipt confirmed as follows:

---

Holdings: DTI Holdings, Inc.  
14567 N. Outer Forty Road, Suite 500  
Chesterfield, Missouri 63017  
Attn: President  
Facsimile: (314) 880-1999

with a copy to: DTI Holdings, Inc.  
14567 N. Outer Forty Road, Suite 500  
Chesterfield, Missouri 63017  
Attn: General Counsel  
Facsimile: (314) 880-1999

and a copy to: Robert Richards, Esq.  
Sonnenschein Nath & Rosenthal  
Suite 8000 Sears Tower  
233 South Wacker Drive  
Chicago, IL 60606  
Facsimile: (312) 876-7934

KLTT: KLT Telecom Inc.  
10740 Nall, Suite 230  
Overland Park, KS 66211  
Attn: President  
Facsimile: (913) 967-4340

with a copy to: Mark A. Shaiken, Esq.  
Stinson Morrison Hecker LLP  
1201 Walnut, Suite 2800  
Kansas City, Missouri 64106  
Facsimile: (816) 691-3495

Noteholders: Steven N. Cousins, Esq.  
David L. Going, Esq.  
Armstrong Teasdale LLP  
One Metropolitan Square  
Suite 2600  
St. Louis, Missouri 63102-2740  
Facsimile: (314) 621-5065

The parties shall promptly notify each other of any change in their respective addresses or facsimile numbers or of the person or office to receive notices, requests or other communications under this Holdings Settlement Agreement. Notice shall be deemed to have been given as of the date when so personally delivered, the next day when delivered during business hours to an overnight delivery service properly addressed or when receipt of a facsimile is confirmed, as the case may be, unless the sending party has actual knowledge that such notice was not received by the intended recipient.

- 
13. **Governing Law.** This Holdings Settlement Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, without giving effect to choice of law principles of said state.
  14. **Multiple Counterparts / Facsimile Execution.** This Holdings Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument. This Holdings Settlement Agreement may be executed by facsimile signatures which shall be deemed the same force and effect as an original signature.
  15. **Headings.** The headings used in this Holdings Settlement Agreement are for convenience of reference only and shall in no way define, limit or describe the scope or intent of any provision of this Agreement.
  16. **Advice of Counsel.** The parties hereto have reviewed and agreed to these terms after consultation with, and upon advice of, counsel.
  17. **Severability.** Whenever possible, each provision of this Holdings Settlement Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Holdings Settlement Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Holdings Settlement Agreement.
  18. **Final Expression.** This Holdings Settlement Agreement represents a final expression of the understandings between the parties hereto and this Agreement may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement or understanding between the parties hereto.
  19. **No Amendments.** No amendment to this Holdings Settlement Agreement shall be effective unless such amendment is in writing and signed by all parties hereto.

20. **Retention of Jurisdiction.** The court presiding over the Holdings Case shall retain jurisdiction to resolve any disputes arising under this Holdings Settlement Agreement.

[the remainder of this page intentionally left blank]

---

21. **WAIVER OF JURY TRIAL.** THE PARTIES HERETO HEREBY EXPRESSLY UNCONDITIONALLY AND IRREVOCABLY WAIVE THE RIGHT TO A TRIAL BY JURY FOR ANY PROCEEDINGS ARISING OUT OF, UNDER OR IN CONNECTION WITH THE TERMS AND SUBJECT MATTER OF THIS HOLDINGS SETTLEMENT AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Holdings Settlement Agreement on the day and year first above written.

DTI HOLDINGS, INC.

By: /s/ Paul Pierron  
Name: Paul Pierron  
Title: President & CEO

KLT TELECOM INC.

By: /s/Mark R. Schroeder  
Name: Mark R. Schroeder  
Title: President

OAKTREE CAPITAL MANAGEMENT,  
LLC

By: /s/Ken Liang  
Name: Ken Liang  
Title: Managing Director

THE BANK OF NEW YORK

By: /s/Gerard F. Facendola  
Name: Gerard F. Facendola  
Title: Vice President

By: /s/Brett Wyard  
Name: Brett Wyard  
Title: Managing Director

GREAT PLAINS ENERGY  
INCORPORATED

By: /s/B. J. Beaudoin  
Name: B. J. Beaudoin  
Title: CEO

KANSAS CITY POWER & LIGHT  
COMPANY

By: /s/B. J. Beaudoin  
Name: B. J. Beaudoin  
Title: CEO

KLT INC.

By: /s/David J. Haydon  
Name: David J. Haydon  
Title: President

FIRST PLAZA CONTRARIAN CAPITAL  
ADVISORS

By: /s/Janice M. Stanton  
Name: Janice M. Stanton  
Title: Member

PACHOLDER ASSOCIATES, INC.

By: /s/James P. Shanahan, Jr.  
Name: James P. Shanahan, Jr.  
Title: Managing Director & General  
Counsel

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF MISSOURI

In re	) Chapter 11
	)
DIGITAL TELEPORT, INC.	) Case No. 01-54369-
DTI HOLDINGS, INC.	) 399
DIGITAL TELEPORT OF VIRGINIA, INC.	) Case No. 01-54370-
	) 399
Debtors.	) Case No. 01-54371-
	) 399

Jointly  
Administered

**FIRST AMENDED AND RESTATED JOINT PLAN UNDER  
CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE**

Digital Teleport, Inc., DTI Holdings, Inc. and Digital Teleport of Virginia, Inc. propose this First Amended and Restated Joint Chapter 11 Plan pursuant to (section symbol) 1121(a) of the United States Bankruptcy Code.

**ARTICLE 1**

**DEFINITIONS AND INTERPRETATION**

The following boldface terms, when capitalized, shall have the meanings specified below, and such meanings shall be equally applicable to the singular and plural forms of such terms. Any term used in this Plan that is not defined herein, but is defined in the Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Code or the Bankruptcy Rules.

1.1 **Additional Sum** has the meaning set forth in Paragraph 2(c) of the Holdings Settlement Agreement.

1.2 **Administrative Expense Claim** means a Claim or portion of a Claim allowed under Code (section symbol) 503(b) and entitled to priority under Code (section symbol) 507(a)(1).

1.3 **Allowed**, when used with respect to any Claim or Interest, means the Claim or Interest or applicable portion thereof that has been allowed pursuant to Code (section symbol) 502, and, if the Claim or Interest was objected to, means that a Final Order has been entered allowing the Claim or Interest pursuant to Code (section symbol) 502. Unless otherwise specified, it does not include (i) interest on the amount of such Claim accruing from and after the Petition Date, (ii) fees and costs incurred from and after the Petition Date, (iii) punitive or exemplary damages or (iv) any fine, penalty or forfeiture.

1.4 **Asset Purchase Agreement** means that certain agreement by and between Teleport and CenturyTel Fiber Company II, dated as of December 26, 2002 and approved by this Court on February 13, 2003.

---

1.5 **Asset Purchaser** means CenturyTel Fiber Company II.

1.6 **Ballots** means each of the ballot forms distributed with the Disclosure Statement to holders of Impaired Claims entitled to vote as specified in Article 6 of this Plan, in connection with the solicitation of acceptances of the Plan.

1.7 **Ballot Date** means the date which the Court sets for submission of Ballots on this Plan.

1.8 **Bankruptcy Rules** mean the Federal Rules of Bankruptcy Procedure, as amended and promulgated under (section symbol) 2075 of Title 28 of the U.S. Code.

1.9 **Business Day** means any day other than a Saturday, Sunday or legal holiday in Missouri.

1.10 **Cases** mean the above-captioned jointly administered bankruptcy cases.

1.11 **Cash** means cash and cash equivalents, including but not limited to U.S. currency on hand, U.S. currency on deposit in any bank account and checks or other similar negotiable instruments denominated in U.S. currency.

1.12 **Causes of Action** means any and all causes of action of the Debtors and/or reorganized Teleport, whether arising under the Code or other state, federal or common law, including, without limitation, actions under Article V of the Code, except for Side Letter Related Potential Actions if it is determined in a Final Order that any portion of the Side Letter Related Potential Actions (or proceeds thereof) have not been assigned to KLT under the Teleport Settlement Agreement nor otherwise inure to the benefit of KLT.

1.13 **Claim** means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) right to an equitable remedy for breach or performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

1.14 **Class** means a category or group of holders of Claims or Interests as designated in Article 3 of this Plan.

1.15 **Closing** means the closing of the transaction selling substantially all of the business related assets of Teleport to the Asset Purchaser.

1.16 **Code or Bankruptcy Code** means the Bankruptcy Reform Act of 1978, as amended, 11 U.S.C. (section symbol)(section symbol) 101 et seq.

1.17 **Committee** means the Official Unsecured Creditors' Committee appointed by the Office of the United States Trustee for the Eastern District of Missouri.

1.18 **Committee Releasees** is defined in (section symbol) 6(b) of the Teleport Settlement Agreement.

---

1.19 **Committee Related Parties** is defined in (section symbol) 8.10 hereof.

1.20 **Company Related Parties** is defined in (section symbol) 8.10 hereof.

1.21 **Confirmation** means the entry of the Confirmation Order by the Court pursuant to Code (section symbol) 1129.

1.22 **Confirmation Date** means the date that the Court enters the Confirmation Order.

1.23 **Confirmation Hearing** means the hearing to consider confirmation of this Plan.

1.24 **Confirmation Hearing Date** means the date on which the Court holds the Confirmation Hearing.

1.25 **Confirmation Order** means the order of the Court confirming this Plan.

1.26 **Contested Claim** means a Claim against or Interest in a Debtor, as the case may be, to which an objection has been filed by a party in interest and which objection has not been resolved as of the relevant date.

1.27           **Contested Claim Amount** means the total amount of the Contested Claim which is subject to any objection by a party in interest.

1.28           **Contested Claim Reserve** means the reserve maintained for the benefit of holders of Contested Claims.

1.29           **Court** means the United States Bankruptcy Court for the Eastern District of Missouri, Eastern Division or such other court of competent jurisdiction exercising jurisdiction over all or part of the Cases.

1.30           **Creditor** means the holder of a Claim (other than as holder of an Administrative Expense).

1.31           **Debtor** means, depending on the context, any of Holdings, Teleport or Virginia, as a debtor and debtor in possession, and **Debtors** means Holdings, Teleport and Virginia collectively as debtors and debtors in possession.

1.32           **Deficiency Amount** means the amount by which the total amount of a Claim (other than an Administrative Expense) asserting secured status exceeds the value of the collateral on which such claimant has a validly perfected and unavoidable lien securing such Claim as of the appropriate date for the valuation of the collateral for purposes of Claim allowance.

1.33           **DIP Facility** means the debtor-in-possession financing facility provided by KLT to Teleport.

1.34           **Disallowed**, when used with respect to a Claim, means that the Claim or applicable portion thereof has been determined by a Final Order to be invalid.

---

1.35           **Disclosure Statement** means the disclosure statement filed under Code (section symbol) 1125 in support of this Plan.

1.36           **DTI Releasees** is defined in (section symbol) 6(b) of the Teleport Settlement Agreement.

1.37           **Duct** means the thirty-six conduits constructed by Virginia along Interstate 495 in the Commonwealth of Virginia.

1.38           **Effective Date** means the eleventh day after the Confirmation Date, calculated in accordance with Bankruptcy Rule 9006, unless the Confirmation has been stayed or any of the other conditions set forth in (section symbol) 15.1 of this Plan have not been met or waived pursuant to Section 15.2 of the Plan, in which event it is the first day after such stay is no longer in effect or such conditions have been met or waived (that is also eleven days after the Confirmation Date) calculated in accordance with Bankruptcy Rule 9006, or such later date as the Debtors, the Committee and KLT shall unanimously agree to in writing.

1.39           **Estimation Order** means an order or orders of the Court estimating for voting and/or distribution purposes (under (section symbol) 502(c) of the Code) the aggregate of Contested Claims or any particular Contested Claim.

1.40           **Final Order** means an order or judgment, the operation or effect of which has not been stayed, reversed, modified, or amended and as to which order or judgment the time to appeal, petition for certiorari, or seek reargument, review or rehearing has expired and as to which no appeal, petition for certiorari or motion for reargument, review or rehearing was timely filed or, if timely filed, the order or judgment has been affirmed by the highest court to which the order or judgment was appealed or from which the reargument or rehearing was sought, or certiorari has been denied, and the time to file any further appeal or petition for certiorari or to seek further reargument or rehearing has expired.

1.41           **General Unsecured Fund** means the fund for the benefit of Class 4 Creditors to be established pursuant to Sections 2 or 3 of the Teleport Settlement Agreement which will provide for a payout of between 82.5% to 90% of Allowed Class 4 Claims pursuant to the formula set forth in the Teleport Settlement Agreement.

1.42                   **Holdings** means DTI Holdings, Inc., as a debtor and debtor-in-possession.

1.43                   **Holdings Priority or Administrative Claim** means a Claim or a portion of a claim against Holdings which is entitled to priority under Section 507(a) of the Code.

1.44                   **Holdings Releasees** shall have the meaning ascribed to such term in Paragraph 6(b) of the Holdings Settlement Agreement.

1.45                   **Holdings Settlement Agreement** means that certain Settlement Agreement and Plan Term Sheet, made and entered into as of March 14, 2003, by and among Holdings, KLT Inc., KLT Telecom Inc., Great Plains Energy Incorporated, Kansas City Power & Light Company, Oaktree Capital Management, LLC, The Bank of New York as Indenture Trustee, First Plaza Contrarian Capital Advisors and Pacholder Associates, Inc., a copy of which is attached as Exhibit 2 hereto and incorporated herein by reference.

---

1.46                   **Impaired** means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of (section symbol) 1124 of the Code.

1.47                   **Indemnification Policies** means the insurance policy or policies covering obligations to indemnify the Debtors' officers and directors pursuant to the applicable provisions of the Debtors' charters, by-laws, and/or applicable state law in effect as of the Effective Date.

1.48                   **Indenture** means that certain Indenture dated February 23, 1998 by and between Holdings, as issuer, and the Indenture Trustee, as amended with respect to the issuance of the Senior Discount Notes.

1.49                   **Indenture Trustee** means The Bank of New York, in its capacity as the Indenture Trustee for the Senior Discount Notes, unless such indenture trustee shall have resigned or been replaced by a successor trustee, in which case said term shall refer to such successor trustee.

1.50                   **Interest** means an equity interest in any of the Debtors.

1.51                   **Interestholder** means the holder of an Interest.

1.52                   **KLT or KLTT** means KLT Telecom Inc.

1.53                   **KLT Releasees** shall have the meaning ascribed to such term in the Teleport Settlement Agreement.

1.54                   **KLTT Releasees** shall have the meaning ascribed to such term in the Holdings Settlement Agreement.

1.55                   **Lien** means a charge against or interest in property to secure payment of a debt or performance of an obligation.

1.56                   **Miscellaneous Secured Claims** means a Secured Claim that is held by a Person other than KLT (Class 1) and Enterprise Bank (Class 3).

1.57                   **Noteholders' Payment** has the meaning set forth in Paragraph 2(a) of the Holdings Settlement Agreement.

1.58                   **Noteholder Releasees** shall have the meaning ascribed to such term in the Holdings Settlement Agreement.

1.59                   **Person** means an individual, partnership, corporation, joint venture, unincorporated association or organization, estate, trust or governmental unit.

1.60                   **Petition Date** means December 31, 2001.

1.61                   **Plan** means this First Amended and Restated Joint Plan under Chapter 11 of the United States Bankruptcy Code, as the same may be amended from time to

time pursuant to the plan's terms, the Code or the Bankruptcy Rules and as applicable, exhibits and schedules

---

reference therein, whether on file with this document or filed prior to the Confirmation Hearing Date.

1.62           **Priority Tax Claim** means a Claim asserted by a governmental unit entitled to priority under Code (section symbol) 507(a)(8).

1.63           **Pro Rata** means the proportion that the amount of an Allowed Claim or Allowed Interest in a particular Class or Subclass bears to the aggregate amount of all Allowed Claims or Allowed Interests in such Class or Subclass (including any Contested Claim Reserve).

1.64           **Professionals** means any Court approved professional Person employed in these Cases at any time before Confirmation by the applicable entity.

1.65           **Secured Claim** means a secured Claim within the meaning of Code (section symbol) 506(a) and shall not include any Deficiency Amount.

1.66           **Senior Discount Notes** means the 12 1/2% Senior Discount Notes due 2008 under the Indenture which total approximately \$218 million in principal and accrued interest as of the Petition Date.

1.67           **Senior Discount Noteholder Claim** means any Claim based on or related to the Senior Discount Notes.

1.68           **Settlement Agreements** means collectively the Holdings Settlement Agreement and the Teleport Settlement Agreement.

1.69           **Side Letter** means that certain letter from KLT and KLT Inc. to Paul Pierron dated December 26, 2002, providing that certain executives of Teleport would receive from KLT certain funds payable to KLT under the Teleport Settlement Agreement under certain conditions set forth therein, as an inducement to entry into employment agreements with the Asset Purchaser.

1.70           **Side Letter Related Potential Actions** means any portion of the Side Letter Payments recovered on behalf of the Teleport estate or any other damages against any of the executives who are the beneficiaries of the Side Letter in favor of the Teleport estate related to the Side Letter.

1.71           **Side Letter Payments** means the monies allocated for payment to the designated Teleport executives under the terms of the Side Letter.

1.72           **Subclass** means a subclass of any Class as designated in Article 3 of the Plan.

1.73           **Supplemental Class 4 Recovery** means any recovery on the Side Letter Related Potential Actions which is allocated for payment to Class 4 Creditors pursuant to a Final Order.

1.74           **Teleport** means Digital Teleport, Inc., as a debtor and debtor-in-possession.

---

1.75           **Teleport Payment** has the meaning set forth in Section 2(a) of the Holdings Settlement Agreement.

1.76           **Teleport Settlement Agreement** means that certain Settlement Agreement, made and entered into as of December 23, 2002, by and between Teleport, the Committee and certain of the KLT Releasees, a copy of which is attached as Exhibit 1 hereto and incorporated herein by reference.

1.77           **Unimpaired** means, when used with reference to a Claim or Interest, a Claim or Interest that is not impaired within the meaning of (section symbol) 1124 of the Code.

1.78 **Unsecured Claim** means a Claim other than a Secured Claim, an Administrative Expense or a Priority Tax Claim. Unsecured Claim also includes any Claim for a Deficiency Amount.

1.79 **Virginia** means Digital Teleport of Virginia, Inc., as a debtor and debtor-in-possession.

1.80 **Interpretation.** Any term not defined herein has the meaning ascribed to it in the Code or the Bankruptcy Rules. The exhibits attached to this Plan are incorporated into and are part of this Plan as if fully set forth in this Plan. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof.

## ARTICLE 2

### PROVISIONS FOR THE ALLOWANCE AND PAYMENT OF UNCLASSIFIED CLAIMS -- ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

2.1 **Administrative Expenses.** Each holder of an Allowed Administrative Expense shall be paid in respect of such Claim in Cash, in full, on the Effective Date (or earlier, in the reasonable discretion of Teleport), or, if such Claim has not been Allowed on or before the Effective Date, promptly after the allowance of the Claim by a Final Order or as otherwise due by agreement of the parties; provided, however, that such Claim may be satisfied on such other terms as may be agreed to by the holder of such Claim and the applicable Debtor. Other than Allowed claims for professional fees, which under the terms of this Plan will be paid by Teleport, there are not believed to be any valid Administrative Expense Claims against Virginia or Holdings. Virginia and Holdings intend to seek an order of this Court setting an administrative claims bar date which date shall be prior to the Confirmation Hearing.

2.1.1 **Bar Date for Requests For Payment of an Administrative Expense.** All requests for payment of an Administrative Expense against Teleport, except for Professionals' requests for compensation and post-petition extensions of trade credit for goods or services and quarterly U.S. Trustee fees, shall be filed with the Court no later than forty-five (45) days after the Effective Date or be forever barred. Within five (5) days after the Effective Date, Teleport shall serve notice of such Administrative Expense bar date on all known parties asserting Administrative Expenses except for Professionals. A bar date for Professionals' requests for compensation shall be set in the Confirmation Order. All Allowed fees and expenses for retained professionals of the Debtors or the

---

Committee in these Cases shall be paid by the Teleport estate. Nothing herein shall be deemed to prejudice KLT rights with respect to its cash collateral or under the Settlement Agreements.

2.1.2 **Deadline for Objections.** All objections to allowance of Administrative Expenses must be filed by any parties in interest within thirty (30) days after the Administrative Expense bar date. If no objection to the applicable Administrative Expense is filed on or before that date, such Administrative Expense shall be deemed Allowed as of that date.

Quarterly fees owed to the Office of the U.S. Trustee shall be paid when due in accordance with applicable law and the applicable Debtor shall continue to file reports to show the calculation of such fee for its estate.

2.2 **Priority Tax Claims.** Any holder of an Allowed Priority Tax Claim against Teleport shall receive at the option of the Debtors the amount of the holder's Allowed Priority Tax Claim in one Cash payment on or promptly after the Effective Date (or at Teleport's discretion, prior to the Effective Date) or if later, promptly after becoming Allowed. A Priority Tax Claim that is a Contested Claim shall not receive any distribution on the Effective Date or thereafter unless and until such Claim becomes an Allowed Priority Tax Claim. Allowed Secured Claims against Teleport for taxes will be satisfied first as non-classified Priority Tax Claims to the extent they qualify as Priority Tax Claims. To the extent that some or all of an Allowed Secured Claim for taxes does not qualify as a Priority Tax Claim, but is a valid Allowed Secured Claim, it

will be classified in a Subclass of Class 2 as a Secured Tax Claim. There are not believed to be any valid Priority Tax Claims against Virginia or Holdings. [UPDATE AS ADEQUACY HEARING: New York City has asserted a tax claim in the amount of \$23,100 against Holdings which is the subject of a pending claims objection].

### ARTICLE 3

#### CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 **Class 1 - Allowed KLT Claims Against Teleport.** Class 1 consists of the Allowed Claims of KLT against Teleport, whether a Secured or an Unsecured Claim. Pursuant to the Teleport Settlement Agreement, this Plan and Bankruptcy Rule 9019, this Claim shall be Allowed on a final basis in the amount of \$49,975,215.28 (to the extent not previously allowed pursuant to an Final Order approving the Teleport Settlement Agreement). KLT reserves the right to seek post-petition interest, fees and costs to the extent that this Plan is not confirmed.

3.2 **Class 2 - Allowed Miscellaneous Secured Claims.** Class 2 consists of the following Allowed Miscellaneous Secured Claims. There are not believed to be any Miscellaneous Secured Claims against Virginia or Holdings. Each such Claim shall be its own Subclass. The known Subclasses are as follows:

3.2.1 **Subclass 2A - Secured Claim of CIT against Teleport.** CIT shall have an Allowed Secured Claim against Teleport in favor of CIT secured by certain equipment in the amount of \$42,055 or such other amount as the Court determines is appropriate, to the extent not

---

previously paid pursuant to any Final Order of this Court. CIT's Deficiency Amount shall be treated as a Class 4 Claim against Teleport.

3.2.2 **Subclass 2B - Secured Tax Claims.** To the extent that some or all of an Allowed Secured Claim against Teleport for taxes does not qualify as a Priority Tax Claim, but is a valid Allowed Secured Claim, it will be classified as a Subclass 2B Secured Tax Claim, to the extent not previously paid pursuant to any Final Order of this Court.

3.2.3 **Other Secured Claims.** Other miscellaneous Secured Claims against Teleport may exist and if so, each will be its own Subclass of Class 2, to the extent not previously paid pursuant to any Final Order of this Court.

3.3 **Class 3 - Allowed Secured Claim for Enterprise Bank Letter of Credit against Teleport.** Enterprise Bank shall have an Allowed Secured Claim against Teleport in the amount of \$250,000 secured by Cash presently on deposit at Enterprise Bank which supports a letter of credit previously issued by Enterprise Bank to Teleport, which letter of credit shall be replaced by a substitute or backup letter of credit to be provided by a financial institution arranged by the Asset Purchaser at the Closing and the \$250,000 in Cash shall be returned to Teleport and then remitted to KLT pursuant to the Teleport Settlement Agreement.

3.4 **Class 4 - Allowed General Unsecured Claims against Teleport.** Class 4 shall consist of all Allowed unsecured, non-priority Claims (including Allowed Deficiency Amounts) against Teleport not included within Class 6.

3.5 **Class 5 - Allowed Unsecured Claims Against Virginia.** Class 5 consists of all Allowed Unsecured Claims against Virginia.

3.6 **Class 6 - Allowed Penalty Claims against Teleport.** Class 6 consists of any Claims against Teleport for penalties, unless the Court determines that it is not appropriate to separately classify the applicable Claim and treat it in the manner proposed herein, in which case the applicable Claim shall be treated in the Class to which the Court determines it belongs.

3.7 **Class 7 - Allowed KLT Secured Loan Claim Against Holdings.** Class 7 consists of KLT's \$10 million loan Claim against Holdings which is secured by pledges of Holding's Stock in Teleport and Virginia.

3.8 **Class 8 - Allowed Unsecured Claims against Holdings.** Class 8 consists of all allowed unsecured claims against Holdings.

3.8.1 **Subclass 8A - Allowed Senior Discount Noteholder Claims.** Subclass 8A consists of the claims of the holders of the Senior Discount Notes (as determined by the official records of the Indenture Trustee).

3.8.2 **Subclass 8B - Allowed General Unsecured Claims against Holdings.** Subclass 8B consists of the claims of the holders of general unsecured claims against Holdings, other than the Class 8A Senior Discount Noteholder Claims and any Deficiency Amount related to Class 7 Claims (which shall be treated solely as part of Class 7).

---

3.9 **Class 9 - Allowed Interests.** Class 9 consists of Allowed Interests in Teleport, Virginia and Holdings.

3.9.1 **Subclass 9A - Allowed Interests in Teleport.** Subclass 9A consists of Allowed Interests in Teleport.

3.9.2 **Subclass 9B - Allowed Interests in Virginia.** Subclass 9B consists of Allowed Interests in Virginia.

3.9.3 **Subclass 9C - Allowed Interest in Holdings.** Subclass 9C consists of Allowed Interests in Holdings.

#### ARTICLE 4

##### IDENTIFICATION OF IMPAIRED CLASSES OF CLAIMS AND INTERESTS

4.1 **Impaired Classes of Claims and Interests.** Classes 1, 2A, 2B, any other Secured Claim Subclasses under Class 2, 4, 5, 6, 7, 8A, 8B, 9A, 9B and 9C are Impaired under this Plan.

4.2 **Unimpaired Classes of Claims and Interests.** Class 3 is not Impaired under this Plan.

#### ARTICLE 5

##### PROVISIONS FOR TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

5.1 **Class 1- Allowed KLT Claims against Teleport.** On or before the Effective Date, all assets of the Teleport estate or proceeds thereof (including from the Closing) remaining after payment of (a) unclassified claims against Teleport set forth in Article 2 of the Plan, (b) Class 2 Miscellaneous Secured Claims against Teleport, (c) payment of the Additional Sum for the Holdings Priority or Administrative Claims or any other Holdings creditors who are beneficiaries thereof designated in the Holdings Settlement Agreement, (d) the funding of the General Unsecured Fund, (e) the funding of the Noteholders' Payment and (f) the funding of an agreed budget for post-Effective Date winddown costs for the estates, will be for the benefit of KLT and shall be paid over or assigned to KLT when and as requested by KLT. To the extent that all payments required hereunder be en previously made, KLT shall also receive the Cash security currently held at Enterprise Bank on account of Enterprise Bank's Class 3 Claim as soon as it is received by Teleport. All rights of the Teleport estate to receive the remainder from escrow or any other amounts held back by the Asset Purchaser or otherwise not liquidated as of the Closing (other than any Supplemental Class 4 Recovery) shall be assigned to KLT concurrently with or promptly after the Effective Date.

5.2 **Class 2 - Allowed Miscellaneous Secured Claims.**

---

5.2.1 **Subclass 2A - Secured Claim of CIT.** At Teleport's option, CIT will either (i) receive a payment equal to 100% of its Allowed

Secured Claim in Subclass 2A, promptly after the Effective Date, without interest, in which case Teleport shall receive the collateral securing that Claim free and clear of any Liens thereon or Claims thereto (which collateral will be for the benefit of KLT pursuant to the terms of the Teleport Settlement Agreement unless sold to the Asset Purchaser) or (ii) have its collateral returned to it. Teleport reserves the right to seek approval of a settlement with CIT prior to confirmation of this Plan.

5.2.2                   **Subclass 2B - Secured Tax Claims.** At the applicable Debtor's option, a Secured Tax Claim holder will either (i) receive a payment equal to 100% of its Allowed Secured Claim in Subclass 2B, promptly after the Effective Date, without interest, in which case Teleport shall receive the collateral securing the Claim free and clear of any Liens thereon or Claims thereto (which collateral will be for the benefit of KLT pursuant to the terms of the Teleport Settlement Agreement unless sold to the Asset Purchaser) or (ii) have its collateral returned to it. The Debtors reserve their respective rights to seek approval of any settlement with any holder of a Secured Tax Claim prior to confirmation of this Plan.

5.2.3                   **Other Secured Claims.** At the applicable Debtor's option, a holder of a Subclass of an Allowed Secured Claims not treated under Class 2A or Class 2B will either (i) receive a payment of 100% of its Allowed Secured Claim, payable promptly after the Effective Date, without interest, in which case Teleport shall receive the collateral securing that Claim free and clear of any Liens thereon or Claims thereto (which collateral will be for the benefit of KLT pursuant to the terms of the Teleport Settlement Agreement unless sold to the Asset Purchaser) or (ii) have its collateral returned to it in full satisfaction of its Allowed Secured Claim (and if the Claim is non-recourse, any Allowed Class 4 Claim, Allowed Class 5 Claim or Allowed Class 8B General Unsecured Claim secured by that collateral).

5.2.4                   **Assets to be Sold to the Asset Purchaser.** If any of the collateral securing an Allowed Class 2A, Allowed Class 2B or Allowed Class 2C Claim is required to be sold to the Asset Purchaser under the Asset Purchase Agreement, the Debtors shall not exercise the right to return collateral to any such claimant without the consent of KLT and the Asset Purchaser.

5.3                   **Class 3 - Allowed Secured Claim for Enterprise Bank Letter of Credit against Teleport.** Until the replacement letter of credit is issued in connection with or shortly after the Closing, Teleport will maintain the \$250,000 of Cash held at Enterprise Bank to secure its reimbursement obligation with respect to the letter of credit. This Cash will be released to KLT on account of its Class 1 Claims upon (a) Enterprise Bank's receipt of a substitute or backup letter of credit in form and substance reasonably acceptable to Enterprise Bank and (b) the payment of Debtors' obligations under the Plan.

5.4                   **Class 4 - Allowed General Unsecured Claims Against Teleport.** Allowed Class 4 Claims will receive their Pro Rata share of (a) the General Unsecured Fund to be funded at Closing, or at its sole election, provided by KLT pursuant to Paragraph 3 of the Teleport

---

Settlement Agreement and (b) any Supplemental Class 4 Recovery. The General Unsecured Fund shall be in the amount calculated pursuant to Section 2 of the Teleport Settlement Agreement.

5.5                   **Class 5 - Allowed General Unsecured Claims Against Virginia.** Allowed Class 5 Claims shall receive their Pro Rata share of \$1,000 and all proceeds of the sale of the Duct or if no sale has closed by the Effective Date, joint title to the Duct.

5.6                   **Class 6 - Allowed Penalty Claims Against Teleport.** Any Allowed Class 6 Claims will receive nothing under the Plan.

5.7                   **Class 7 - Allowed KLT Secured Loan Claims Against Holdings.** Allowed Class 7 Claims will receive no distribution of Cash under the Plan in accordance with the terms of the Holdings Settlement Agreement.

**5.8.1 Subclass 8A - Allowed Senior Discount Noteholder Claims.**

Allowed Class 8A Senior Discount Noteholder Claims will receive their Pro Rata share of the Noteholders' Payment after payment of items set forth in Section 2(a) of the Holdings Settlement Agreement, to be funded at Closing or at its sole election, provided by KLT pursuant to Paragraph 3 of the Holdings Settlement Agreement. Within 1 business day of the Effective Date, and as previously directed and requested by KLT in the Holdings Settlement Agreement, Teleport shall pay to Holdings the Teleport Payment and Holdings shall immediately pay the Noteholders' Payment to the Indenture Trustee to be distributed by the Indenture Trustee to the Senior Discount Noteholders and to pay certain expenses in accordance with the Indenture and Sections 7.2 and 8.12 of the Plan.

**5.8.2 Subclass 8B - Allowed General Unsecured Claims Against**

**Holdings.** Allowed Class 8B General Unsecured Claims will receive their Pro Rata share of the remaining Additional Sum, to be funded at Closing or at its sole election, provided by KLT pursuant to Paragraph 3 of the Holdings Settlement Agreement. On the Effective Date, and at the direction and request of KLT as set forth in the Holdings Settlement Agreement, Teleport shall pay to Holdings the Additional Sum, the remaining balance of which, after payment in full of Allowed Holdings Priority or Administrative Claims, shall be promptly paid to holders of Allowed Class 8B General Unsecured Claims.

**5.9 Class 9 - Allowed Interests.**

**5.9.1 Subclass 9A - Interests in Teleport.** There will be no distribution to Subclass 9A Interests and Teleport will be dissolved as a corporation by operation of this Plan (subject to Section 8.5 hereof) as soon as practicable after the Effective Date without further order of the Court or board or shareholder action, and upon the Effective Date the Subclass 9A Interests shall be cancelled and extinguished immediately upon the Effective Date without any further act or deed.

**5.9.2 Subclass 9B - Interests in Virginia.** There will be no distribution to Subclass 9B Interests and Virginia will be dissolved as a corporation by operation of this

---

Plan as soon as practicable after the Effective Date by operation of this Plan without further order of the Court or board or shareholder action, and upon the Effective Date the Subclass 9B Interests shall be cancelled and extinguished immediately upon the Effective Date without any further act or deed.

**5.9.3 Subclass 9C - Interests in Holdings.** There will be no distribution to Subclass 9C Interests and Holdings will be dissolved as a corporation by operation of this Plan as soon as practicable after the Effective Date by operation of this Plan without further order of the Court or board or shareholder action, and upon the Effective Date the Subclass 9C Interests shall be cancelled and extinguished immediately upon the Effective Date without any further act or deed.

**ARTICLE 6****ACCEPTANCE OR REJECTION OF PLAN  
AND ELECTIONS ON BALLOTS**

**6.1 Classes Entitled to Vote.** Each Impaired Class and Subclass shall be entitled to vote separately to accept or reject this Plan. Any Unimpaired Class of Claims shall not be entitled to vote to accept or reject this Plan. Under (section symbol) 1126(f) of the Code, such Claim holders are conclusively presumed to accept the Plan.

**6.2 Classes of Claims and Interests Deemed to Reject this Plan.** Any Allowed penalty claims in Class 6, Class 7 and the Allowed Interests in Teleport, Holdings and Virginia (Subclasses 9A, 9B and 9C) are Impaired and shall not receive or retain any property under this Plan. Under (section symbol) 1126(g) of the Code, the holder of such a Claim or Interest is conclusively presumed to reject this Plan, and the vote of such holder will not be solicited.

6.3 **Acceptance by an Impaired Class.** In accordance with (section symbol) 1126(c) of the Code and except as provided in (section symbol) 1126(e) of the Code, an Impaired Class of Claims shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject the Plan.

## ARTICLE 7

### PLAN DISTRIBUTIONS

7.1 **Timing of Cash Payments from Teleport.** Teleport shall make the following payments:

7.1.1. Cash to holders of Allowed Administrative Expense Claims in accordance with Article 2 of the Plan on or promptly after the Effective Date (or if later, when such claims become Allowed).

7.1.2. Cash to holders of Allowed Priority Tax Claims in accordance with Article 2 of the Plan on or promptly after the Effective Date (or if later, when such claims become Allowed).

7.1.3. Cash in an amount determined in accordance with the Teleport Settlement Agreement to the General Unsecured Fund and any Supplemental Class 4 Recovery for the Pro Rata distribution by Teleport by holders of Allowed Class 4 Claims against Teleport on or promptly after the Effective Date (or if later, to be distributed to such claims when they become Allowed).

7.1.4. Any Supplemental Class 4 Recovery should be paid at such time as such recovery is obtained by the Teleport estate.

7.1.5. \$1,000 from Teleport to Virginia to be used towards the Class 5 distribution on or promptly after the Effective Date.

7.1.6. Cash in the amount of \$13,750,000 within 1 Business Day of the Effective Date to Holdings to be used in accordance with Section 7.2.3 of the Plan below.

7.1.7. Cash to Holdings in the amount of the Additional Sum within 1 Business Day of the Effective Date, to be used in accordance with Section 7.2.1 and 7.2.2 of the Plan.

7.1.8. The remainder of the Teleport estate and proceeds thereof to KLT.

7.2 **Timing of Cash Payments from Holdings.** Holdings shall make the following payments:

7.2.1. On or promptly after the Effective Date (or if later, when such claims become allowed), Cash to the holders of Allowed Holdings Priority and Administrative Claims, to the extent not previously paid, from the Additional Sum;

7.2.2. On or promptly after the Effective Date (or if later, when such claims become allowed), Cash on a Pro Rata basis to holders of Allowed Class 8B General Unsecured Claims from the Additional Sum.

7.2.3. On the Effective Date, Cash in the amount of \$13,750,000 to the Indenture Trustee, to be used for reimbursement of fees, costs and expenses incurred by Armstrong Teasdale, L.L.P. and the Indenture Trustee, with the balance to be used by the Indenture Trustee for a prompt Pro Rata distribution to the holders of Allowed Class 8A Senior Discount Noteholder Claims.

7.3 **Timing of Cash Payment from Virginia.** On or promptly after the Effective Date, Virginia shall make Pro Rata payments to the holders of Allowed Class 5 General Unsecured Claims.

7.4 **Contested Claims.** The Confirmation Order shall contain a reasonable provision to reserve or otherwise provide for Contested Claims as of the Confirmation Hearing Date.

---

7.5 **Means of Cash Payment.** Cash distributions made pursuant to this Plan shall be in United States funds, by check drawn on a domestic bank or if the Debtors so elect in their sole discretion for distributions to certain large claimants, by wire transfer from a domestic bank. Cash distributions by check shall be mailed to Creditors entitled to such distributions under this Plan at the addresses set forth on the Creditors' proofs of claim, or, if no proof of claim was filed, shall be mailed to the Creditor's last known address contained in the records of the applicable Debtor. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the applicable Debtor is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest.

7.6 **Time Bar to Cash Payments.** Checks issued by the applicable Debtor with respect to Claims or Interests shall be null and void if not cashed within ninety (90) days of the date of issuance thereof.

7.6.1 Requests for reissuance of any check must be made directly to the applicable Debtor in dissolution (or any Disbursement Agent or Liquidating Trust established in the Confirmation Order) or the holder of the Allowed Claim or Interest with respect to which the check originally was issued.

7.6.2 Any claim in respect of such a null and voided check shall be made on or before one-hundred fifty (150) days after the date of issuance of the check, after which time all claims in respect of such null and voided checks shall be forever barred, and the funds shall be distributed to KLT.

7.7 **Record Date.** The record date for purposes of distributions under this Plan shall be the close of business on the Confirmation Date. The Debtors will rely on the register of proofs of Claim filed in the Cases and their stock records to identify holders of Claims and Interests except to the extent a notice of transfer of Claim or Interest has been filed with the Court prior to the Confirmation Date pursuant to Bankruptcy Rule 3001 and the applicable Debtor has actual notice of a permitted post-confirmation transfer.

7.8 **Disbursing Agent for Senior Discount Notes and Certain Expenses.** The Indenture Trustee will act as disbursing agent under the Plan with respect to distributions to holders of Class 8A Senior Discount Note Claims and the expenses of Armstrong Teasdale and the Indenture Trustee. All distributions to Class 8A Senior Discount Note Claims shall be made by the Indenture Trustee at the address in the Indenture Trustee's official records and based on the respective holders of such notes reflected in such official records of the Indenture Trustee.

## ARTICLE 8

### MEANS FOR IMPLEMENTATION OF THE PLAN

8.1 **Approval of the Settlement Agreements.** To the extent not previously approved by a Final Order, the Teleport Settlement Agreement and Holdings Settlement Agreement are both hereby approved in all respects as compromises and settlements pursuant to Bankruptcy Rule 9019 and are an integral part of this Plan and such settlements shall also be approved in the Confirmation Order.

---

8.2 **Funding of General Unsecured Fund.** In addition to the treatment of its Claims as set forth in this Plan, KLT has agreed to consent to the establishment of the General Unsecured Fund, calculated in accordance with Section 2 of the Teleport Settlement Agreement, from the proceeds of the Closing or pursuant to Section 3 of the

Teleport Settlement Agreement, by KLT directly at its sole option, to fund distributions to Class 4 Creditors.

**8.3 Funding of Teleport Payment** In addition to the treatment of its Claims as set forth in the Plan, KLT has agreed to the establishment and funding of the Teleport Payment, at Closing or pursuant to Section 3 of the Holdings Settlement Agreement by KLT directly at its sole option, to fund distributions to creditors of Holdings as set forth in Section 7.2 of this Plan.

**8.4 Corporate Dissolution of Virginia and Holdings.** Virginia and Holdings shall be dissolved and their stock shall be deemed cancelled on the Effective Date by operation of the Plan immediately and without further corporate or shareholder action or further order of this Court. They shall make distributions under the Plan and promptly take such other actions reasonably necessary to winddown their affairs while in dissolution, unless such tasks are assigned to a liquidating trust or distribution agent under the Confirmation Order.

**8.5 Treatment of Teleport.** On the Effective Date, Teleport shall be dissolved and its stock shall be cancelled as of the Effective Date by operation of the Plan immediately and without further corporate or shareholder action or further order of this Court. Following the Effective Date, Teleport shall make distributions under the Plan and promptly take such other actions reasonably necessary to winddown its affairs while in dissolution, unless such tasks are assigned to a liquidating trust or distribution agent under the Confirmation Order.

In the event of an alternative funding of Plan distributions by KLT pursuant to Section 3 of the Settlement Agreements, then Teleport shall be deemed reorganized with KLT as its sole shareholder as of the Effective Date. In such event, all assets shall vest in reorganized Teleport free and clear of liens, claims and encumbrances and Teleport shall present to KLT a form of restated charter and bylaws for post-confirmation Teleport. The form of restated charter and bylaws of the Teleport shall be agreed to by KLT in the exercise of its reasonable discretion prior to the entry of the Confirmation Order. These documents shall prohibit the issuance of nonvoting stock to the extent required by (section symbol) 1123(a) of the Code. No further board or shareholder action shall be required for these documents to be effective and the applicable state officials shall be directed to recognize that they were duly adopted by this Plan and the Confirmation Order. In such event, the board of directors of reorganized Teleport shall be reconstituted under a restated charter and amended bylaws on the Effective Date as approved by KLT, which approval shall not be unreasonably withheld, as follows: there shall be a three person board, the identification of whom will be made in a Plan supplement as soon as practicable prior to the Confirmation Hearing or such other persons as shall be set forth and approved as post-Effective Date directors in the Confirmation Order. In such event, it is anticipated that certain members of Teleport management shall remain in their current positions on or after the Effective Date. Reorganized Teleport may, but is not obligated to, have such other officers as the board of directors deems necessary or appropriate. The board of directors and officers of reorganized Teleport shall be entitled to reasonable compensation and reimbursement of expenses pursuant to policies or resolutions as may be approved by the board of directors of reorganized Teleport.

---

**8.6 Injunction.** From and after the Effective Date, all Persons who have held, hold, or may hold Claims against or Interests in either of the Debtors shall be permanently enjoined from taking in connection with matters related to the Debtors or these Cases any of the following actions against the Debtors, any reorganized Teleport or any of their property on account of such Claims or Interests: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability, or obligation due to the Debtors; or (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or which interferes with the Closing; provided, however, that nothing contained herein shall relieve the Debtors or other parties in interest from performing their obligations as set forth in this Plan, the Settlement Agreements or any related documents contemplated herein or preclude any remaining Committee or any party in interest from seeking to enforce their rights under this Plan.

8.7 **Causes of Action.** Except as provided in (section symbol) 8.8 below, on the Effective Date, all Causes of Action shall be assigned to KLT (to the extent not previously assigned pursuant to paragraph 7 of the Settlement Agreements), unless the Court determines in a Final Order as to any Side Letter Related Potential Action that such action was not assigned to or otherwise inured to the benefit of KLT under the Teleport Settlement Agreement, in which case such Side Letter Related Potential Actions will be treated as set forth in the Court's Final Order containing such determination. Any pleading seeking (i) a determination that the Side Letter Related Potential Action are not assigned to nor otherwise inure to the benefit of KLT or (ii) seeking to confer standing on any party other than Teleport to file a Side Letter Related Potential Action must be filed before the Confirmation Date or shall be deemed waived.

8.8 **Releases.** In the Confirmation Order, the KLT Releasees shall receive the releases set forth in Section 6(a) of the Teleport Settlement Agreement and the KLTT Releasees shall receive the releases set forth in Section 6(a) of the Holdings Settlement Agreement. In the Confirmation Order, the Committee Releasees and the DTI Releasees shall receive the releases set forth in Section 6(b) of the Teleport Settlement Agreement. In the Confirmation Order, the Noteholders Releasees and the Holdings Releasees shall receive the releases set forth in Section 6(b) of the Holdings Settlement Agreement. The foregoing releases do not extend to and shall not be construed to release any contractual claims for indemnification held by Kenneth V. Hager as a director.

8.9 **Maintenance of Indemnification Policies.** KLT shall maintain the Indemnification Policies from and after the Effective Date to pay obligations to current and former directors and officers of the Debtors for at least three (3) years after the Effective Date.

8.10 **Exculpation of Post-Petition Board, Officers, KLT and Committee.** Except for wilful misconduct or bad faith, or breach of the Settlement Agreements, neither the Debtors nor the directors, officers, agents and Professionals of the Debtors (collectively, the "Company Related Parties"), the KLT Releasees nor the Committee nor its members, agents and Professionals (collectively, the "Committee Related Parties"), shall be liable to any person or entity for any post-petition action, failure or omission to act or other matter related to the Debtors and/or these Cases, provided, however, that nothing herein shall be construed to exculpate the

---

relevant officers of the Debtors in connection with any Side Letter Related Potential Actions. All parties are permanently enjoined from initiating a suit against any reorganized Teleport, the Debtors, the Company Related Parties, the KLT Releasees, the Committee or the Committee Related Parties related to the matters released hereunder, except for willful misconduct or bad faith on the part of any reorganized Teleport, the Debtors, the Company Related Parties, the KLT Releasees, the Committee or the Committee Related Parties. Nothing herein shall prejudice the right of any applicable party to enforce its rights under the applicable Settlement Agreement (or any applicable defenses thereto).

8.11 **Cancellation of Senior Discount Notes.** In connection with receiving the distribution provided for pursuant to the Plan, each instrument evidencing a Senior Discount Note Claim will be deemed cancelled, extinguished, and of no further force and effect as of the Effective Date and the holders shall not retain rights thereunder and such instruments shall evidence no rights, except the right to receive the distribution to be made to the holder of such instruments as reflected in the official records of the Indenture Trustee pursuant to the Plan. The Indenture Trustee may make distributions on account of the Senior Discount Note Claims and perform such other necessary administrative functions with respect thereto, and maintain and assert any rights or liens for reasonable fees, costs and expenses under the Indenture. Except with respect to the performance by the Indenture Trustee or its agents of the obligations of the Indenture Trustee under the Plan or in connection with any distribution to be made under the Plan, effective as of the Effective Date, the Indenture Trustee and its agents, successors and assigns shall be discharged of all of their obligations.

8.12

**Indenture Trustee.** Pursuant to the Holdings Settlement Agreement, the Indenture Trustee will pay in Cash from the Noteholders' Payment such fees and expenses as the Indenture Trustee determines to be reasonable for Armstrong Teasdale, LLP in connection with its representation of Oaktree Capital Management and the Indenture Trustee without the need for the Indenture Trustee or Armstrong Teasdale LLP to file an application for allowance with the Bankruptcy Court.

---

## ARTICLE 9

### TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES OF HOLDINGS AND VIRGINIA AND UPON CLOSING OF THE ASSET PURCHASE AGREEMENT, TELEPORT

This Article applies to Holdings and Virginia. In the event there is a Closing, it shall also apply to Teleport:

9.1 **Rejected if Not Assumed.** The Plan shall be deemed to constitute and incorporate a motion by the Debtors to reject all executory contracts and unexpired leases to which a Debtor is a party or is otherwise bound, except for the contracts and leases that (a) have been assumed, assumed and assigned, consensually terminated or rejected pursuant to an order of the Court entered prior to the Effective Date, (b) are to be assumed and assigned to the Asset Purchaser, (c) are otherwise specifically treated otherwise in this Plan, and (d) are the subject of a motion to assume or assign and assign that is pending before the Court on the Effective Date. The Confirmation Order shall represent and reflect an order of the Court approving the rejection of all other executory contracts and unexpired leases not within clauses (a) to (d) above, as of the Effective Date. It is believed that Holdings and Virginia are not parties to any executory contracts or unexpired leases.

9.2 **Bar to Rejection Damages.** If the rejection of an executory contract or unexpired lease by the Debtors pursuant to Section 9.1 of the Plan results in damages to the counterparty to such contract or lease, then a Claim for damages or any other amounts related in any way to such contract or lease shall be forever barred and shall not be enforceable against the Debtors, their successors and assigns or their property, unless a proof of claim is filed with the Court and served in accordance with Section 13.1 of this Plan within forty-five (45) days of the Confirmation Date. Any applicable prior dates (including pursuant to the cure notice given in connection with the sale pleadings for the Asset Purchase Agreement) shall remain in full force and effect and any claims barred or fixed in connection with such prior bar date cannot be reasserted.

## ARTICLE 10

### TREATMENT OF TELEPORT EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN EVENT OF ALTERNATIVE FUNDING BY KLT UNDER PARAGRAPH 3 OF SETTLEMENT AGREEMENTS

Solely in the event there is no Closing and KLT elects, in its sole discretion, to make the funding permitted by Paragraph 3 of the Settlement Agreements, then as to Teleport, the provisions of this Article shall provide the treatment of executory contracts and unexpired leases of Teleport:

10.1 **Assumed If Not Rejected by Teleport.** This Plan shall be deemed to constitute and incorporate a motion by Teleport to assume all executory contracts and unexpired leases to which Teleport is a party or is otherwise bound, to the extent KLT consents, except for the contracts and leases that (a) have been assumed or rejected pursuant to an order of the Court

---

entered prior to the Confirmation Date, (b) are specifically treated otherwise in this Plan or (c) are the subject of a motion to reject or assign that is pending before the Court on the Confirmation Date. The Confirmation Order shall represent and reflect an order of the Court approving the assumption of all other executory contracts and unexpired leases not within clauses (a) to (c) above, as of the Effective Date.

10.2                   **Compensation and Benefit Programs.** Except as otherwise required by law and to the extent previously rejected by an order of the Court on or before the Confirmation Date, all employee compensation and benefit programs of Teleport, including programs subject to (section symbol)(section symbol) 1114 and 1129(a)(13) of the Code, listed on Schedule 10.2 hereof entered into before or after the Petition Date and not since terminated, to the extent KLT consents, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed under Section 10.1 of this Plan, unless rejected by Teleport in the discretion of Teleport, which programs reorganized Teleport will continue to administer.

10.3                   **Bar to Cure Cost Claims.** As part of the procedure to set the Confirmation Hearing, Teleport intends to obtain a procedure setting a timetable for parties to assert any Claims for cure costs in connection with any executory contract or unexpired lease that is assumed to the extent such Cure Cost was not previously determined by a prior Final Order of this Court in connection with the approval of the transaction with the Asset Purchaser. Any Claim which is timely and properly asserted shall be determined by the Court and satisfied in accordance with a Final Order regarding the same promptly after entry of such a Final Order. Any such Claim which is not timely or properly asserted shall be forever barred and shall not be enforceable against Teleport, reorganized Teleport, their successors or assigns, or their property.

---

## ARTICLE 11

### PROCEDURES FOR RESOLVING AND TREATING CONTESTED CLAIMS

11.1                   **Objection Deadline.** Teleport (as to claims against Teleport), Holdings (as to claims against Holdings) and Virginia (as to claims against Virginia) shall be the only party entitled to file objections to Claims after the Confirmation Date (other than objections to Administrative Expense Claims as provided in Article 2); provided, however, that the Committee can prosecute its objections to the Gary Douglass proofs of claim to the extent not resolved by a Final Order prior to the Effective Date and support Teleport's objection to the proofs of claim of the Missouri Department of Revenue and object to any newly filed proof of claims against Teleport which singly or in the aggregate, the Committee reasonably believes may cause the amount of allowed unsecured Claims to exceed the applicable cap set forth in the Teleport Settlement Agreement. As soon as practicable, but in no event later than thirty (30) days following the Effective Date, the applicable Debtor, as the case may be, shall file any such remaining objections and shall serve a copy on the holder of the applicable Claims or Interests to which the objections are made. There shall be no post-confirmation right to object to the extent a particular Claim is specifically Allowed under this Plan or under prior Final Order of the Court. This (section symbol) 11.1 shall not limit the applicable Debtor's right to object to Claims or Interests, if any, filed or amended after the Effective Date. Any Claims filed after the applicable bar date shall be Disallowed unless the Court determines in a Final Order that there was excusable neglect for filing such Claims after the applicable bar date.

11.2                   **Prosecution of Objections.** The applicable Debtor shall litigate to judgment, settle, or withdraw objections to Contested Claims filed by the applicable Debtor (and as to those categories of claims to which the Committee may object under (section symbol) 11.1 above, the Committee may do the same). The applicable Debtor can seek an Estimation Order as to any Contested Claim or to set the Contested Claim Reserve.

11.3                   **Power to Compromise and Settle Without Notice and a Hearing.** The applicable Debtor may compromise and settle an objection to a Claim without notice and a hearing thereon where the Allowed Claim will be \$25,000.00 or less as a result of such compromise and settlement. The applicable Debtor may also compromise and settle an objection to a Claim without notice and a hearing thereon where the difference between the amount of the proof of claim as filed and the amount of the Claim as scheduled by the applicable Debtor is less than \$25,000.00. For any such compromise of settlement set forth in the preceding sentences of this (section symbol) 11.3, the Debtor shall send a written notice of such compromise and settlement to KLT and the Committee and if either of them send a written objection to the applicable Debtor within ten days of the notice being received by KLT and the Committee, then the applicable Debtor shall seek approval of the same pursuant to (section symbol) 11.4 below.

11.4 **Power to Compromise and Settle Upon Notice and a Hearing.** The applicable Debtor may compromise and settle all Objections to Claims not covered by (section symbol) 11.3 of this Plan only upon twenty (20) days notice to the United States Trustee for the Eastern District of Missouri and counsel to KLT and the Committee and a hearing thereon.

---

11.5 **No Distributions Pending Allowance.** Notwithstanding any other provision of this Plan, no payments or distributions shall be made with respect to any Claim or Interest held by the holder of a Contested Claim to which an objection has been interposed unless and until the Contested Claim has been settled, withdrawn or adjudicated and a Final Order has been entered with respect to the Claim or Interest.

11.6 **Termination of Committee Objection Rights.** The rights of the Committee to object to Claims shall terminate (a) as to the Claims of Gary Douglass and the Missouri Department of Revenue referenced in Section 11.1 above, if KLT agrees not to reduce the amount payable to unsecured Creditors under the Settlement Agreements notwithstanding the Allowed amount of such Claims; and (b) as to all other Claims, if the condition to the Teleport Settlement Agreement as to the maximum Allowed amount of Trade Claims plus the Amended Ameren Claim (as each such term is defined in the Teleport Settlement Agreement) is satisfied or waived.

## ARTICLE 12

### RETENTION OF JURISDICTION

12.1 **Claims and Actions.** The Court shall retain jurisdiction over the Cases, including, without limitation, such jurisdiction as is necessary to ensure that the purposes and intent of this Plan are implemented. The Court shall also expressly retain jurisdiction to hear and determine all Claims against the Debtors.

12.2 **Retention of Additional Jurisdiction.** The Court shall also retain jurisdiction for the purpose of classification of the Claims of any Creditor or Interests of any Interestholder and the determination of such objections as may be filed with respect to the Claims and Interests, including proceedings for estimation of Claims or Interests pursuant to Code (section symbol) 502(c). The Court shall further retain jurisdiction for the following additional purposes:

(1) to determine all questions and disputes regarding title to the assets of a Debtor, all controversies, disputes or conflicts, whether or not subject to any pending action as of the Effective Date, between the Debtors and any other party;

(2) to modify the Plan with the consent of the applicable Debtor after the Effective Date but prior to substantial consummation of the Plan pursuant to (section symbol) 12.3 of this Plan, upon advance written notice to the Committee and KLT;

(3) to construe, interpret, implement and enforce the terms and conditions of the Plan, the Settlement Agreements and Confirmation Order;

(4) to determine issues and disputes concerning entitlement to distributions to be made under and pursuant to this Plan;

(5) to enter such orders, including, but not limited to, such future injunctions as are necessary to enforce the respective title, rights and powers of the Debtors, and to impose such limitations, restrictions, terms and conditions on such title, rights and powers as the Court may deem necessary;

---

(6) to correct any defect, cure any omission or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to implement the purposes and intent of the Plan;

(7) to determine any and all objections to the allowance of Claims or Interests, including, without limitation, any counterclaims and rights of setoff;

(8) to determine any and all applications for allowance of compensation and reimbursement of expenses and the reasonableness of any fees and expenses authorized to be paid or reimbursed under the Code or the Plan;

(9) to determine any and all applications or motions for the rejection, assumption or assignment and assignment of any executory contract or unexpired lease and to hear and determine, and, if need be, to liquidate any and all Claims arising therefrom;

(10) to determine any and all applications, adversary proceedings and contested matters, including any adversary proceeding concerning any Cause of Action, that may be pending on or initiated after the Effective Date relating to matters which arose prior to the Effective Date;

(11) to consider any technical or immaterial modification of the Plan, whether or not the Plan has been substantially consummated, to remedy any defect or omission or reconcile any inconsistency in the Confirmation Order or any other Order of the Court, to the extent authorized by the Plan or the Code and requiring Court approval;

(12) to determine all controversies, suits and disputes that may arise in connection with the interpretation, enforcement or consummation of the Plan, any agreements or instruments issued under or relating to this Plan or any other documentation evidencing the terms of this Plan;

(13) to consider and act on the compromise and settlement of any Claim against or cause of action by or against the Debtors arising under or in connection with the Plan;

(14) to issue such orders in aid of execution of the Plan as may be authorized by Code (section symbol) 1142;

(15) to hear and determine all controversies, suits and disputes, if any, as may arise with regard to orders of this Court;

(16) to liquidate damages in connection with any disputed, contingent or unliquidated Claims or Interests;

(17) to adjudicate all Claims to a security or ownership interest in any property of the Debtors or in any proceeds thereof and for adequate protection claimed by any holder of such Claims;

(18) to adjudicate all claims or controversies arising out of any purchases, sales or contracts made or undertaken by the Debtors during the pendency of the Case;

---

(19) to make a determination, if necessary, with respect to any Side Letter Related Potential Actions and the respective rights of KLT and Class 4 Creditors to any recoveries related thereto; and

(20) to determine such other matters or proceedings as may be provided for under Title 28 or other title of the United States Code, the Code, the Bankruptcy Rules, other applicable law, the Plan or in any order or orders of the Court, including, but not limited to, the Confirmation Order or any order which may arise in connection with the Plan or the Confirmation Order.

### 12.3

**Modifications of the Plan.** The Debtors may modify this Plan in the manner provided for under Code (section symbol) 1127. The Debtors shall give notice of any proposed modification to counsel for the Committee, counsel to KLT, and to the United States Trustee for the Eastern District of Missouri and to any other parties designated by the Court. The Debtors also reserve the right to make such modifications

at or prior to any hearings on confirmation as are necessary to permit this Plan to be confirmed under Code (section symbol) 1129.

12.4                   **Revocation and Withdrawal of the Plan.** The Debtors reserve the right to revoke or withdraw this Plan at any time before entry of a Confirmation Order. If the Debtors revoke or withdraw this Plan prior to the Confirmation Date, or if the Confirmation or the Effective Date does not occur, then this Plan shall be deemed to be null and void. In such event, nothing contained herein or in any disclosure statement relating to the Plan shall be deemed to constitute an admission of validity, waiver or release of any Claims by or against the Debtors or any Person or to prejudice in any manner the rights of the Debtors or any Person in any proceeding involving the Debtors.

12.5                   **Section 1146(c) Exemption.** Pursuant to Code (section symbol) 1146(c), the making or delivery of any instrument of transfer pursuant to, in implementation of or as contemplated by the Plan (including to the Asset Purchaser or to KLT) or the holding by or transfer or sale of any real or personal property of the Debtors pursuant to, in implementation of or as contemplated by the Plan (including to the Asset Purchaser or to KLT), shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee.

## ARTICLE 13

### NOTICE PROVISIONS

13.1                   **Notices.** All notices, requests, elections or demands in connection with this Plan, including any change of address of any Creditor or Interestholder for the purposes of receiving distributions under this Plan and to avoid forfeiting the same pursuant to Article 7 of this Plan, shall be in writing and shall be delivered personally, by facsimile, overnight courier or first class mail. Such notice shall be deemed to have been given when received or, if mailed by first class mail, five (5) Business Days after the date of mailing, or if by overnight courier, the next Business Day following the date of mailing. Notices required to be sent to the following parties under this Plan shall be addressed to:

---

Debtors:

Digital Teleport, Inc.  
14567 Outer Forty Drive  
Suite 500  
Chesterfield, MO 63017  
Attention: Daniel Davis, General Counsel  
Telephone: (314) 880-1000  
Facsimile: (314) 880-1999

with a copy to the following Person:

Debtors' Counsel:

Robert E. Richards, Esq.  
Patrick C. Maxcy, Esq.  
Sonnenschein Nath & Rosenthal  
8000 Sears Tower  
Chicago, IL 60606  
Telephone: (312) 876-8000  
Facsimile: (312) 876-7934

KLT:

David J. Haydon, Esq.  
KLT Inc.  
10740 Nall, Suite 230  
Overland Park, Kansas  
Telephone: (913) 967-4310  
Facsimile: (913) 967-4340

with a copy to the following Person:

KLT's Counsel

Mark A. Shaiken, Esq.  
Stinson Morrison & Hecker LLP  
1201 Walnut Street, Suite 2800  
Kansas City, MO 64106  
Telephone: (816) 842 8600  
Facsimile: (816) 691-3495

---

Creditors Committee

Mark Brandenburg  
Chairman of the Unsecured Creditors Committee  
Credit Manager  
Pirelli Cables and Systems USA  
246 Stoneridge Dr., Ste. 400  
Columbia, SC 29210  
Telephone: (803) 951-1016  
Facsimile: (803) 951-1099

With a copy to the following Person:

Creditors Committee's Counsel

Shalom Kohn, Esq.  
Sidley Austin Brown & Wood  
Bank One Plaza  
10 South Dearborn Street  
Chicago, IL 60603  
Telephone: (312) 853-7000  
Facsimile: (312) 853-7036

Oaktree Capital Management's Counsel

Steven N. Cousins, Esq.  
David L. Going, Esq.  
Armstrong Teasdale LLP  
One Metropolitan Square  
Suite 2600  
St. Louis, Missouri 63102-2740  
Facsimile: (314) 621-5065

13.2           **Limitation on Notice.** The Debtors shall give the following notice with regard to the following matters, which notice shall be deemed to be good and sufficient notice of such matters with no requirement for any additional or further notice:

13.2.1           **Notice of Entry of Confirmation Order.** Notice of the entry of the Confirmation Order shall be sufficient if (i) mailed to all known holders of Claims and Interests (which have not become Disallowed as of the date of mailing) and (ii) published at least one time in the St. Louis Post Dispatch. Such notice shall be mailed within five (5) Business Days of the date that the Confirmation Order becomes a Final Order.

13.2.2           **Post-Confirmation Date Service.** From and after the date the Confirmation Order becomes a Final Order, notices of appearances and demands for service of process filed with the Court prior to such date shall no longer be effective. No further notices (other than notice of entry of the Confirmation Order) shall be required to

---

be sent to any entities or Persons, except those Persons specified in (section symbol) 13.1 of this Plan, the Office of the U.S. Trustee and any creditor who files a renewed request for service of pleadings and whose claim has not been fully satisfied.

13.2.3 **Notice To Creditors.** All notices and requests to Creditors of any Class shall be sent to them at the addresses set forth on the proofs of claim or, if no proof of claim was filed, to their last known address as reflected in the records of Debtor. Any Creditor may designate in writing any other address for purposes of this section, which designation shall be effective upon receipt by Debtor.

## ARTICLE 14

### MISCELLANEOUS PROVISIONS

14.1 **Request for Cramdown** In the event this Plan is not confirmed under Code (section symbol) 1129(a), the Debtors request that this Plan be confirmed under Code (section symbol) 1129(b).

14.2 **Post-Confirmation Date Committee.** The Committee shall continue to exist after the Confirmation Date for the purposes contemplated by this Plan. The Committee shall be dissolved upon the latest to occur of (a) the distribution to Class 4 Claims from the General Unsecured Fund, (b) the date that the objections to proof of claim of Gary Douglass against Teleport and the Missouri Department of Revenue have been resolved by Final Order of the Court and (c) the earlier of the date that (i) all issues arising out of any Side Letter Related Potential Actions have been resolved by Final Order of the Court, (ii) the Court determines in a Final Order that the Committee has no standing to prosecute such an action, or (iii) the Court determines in a Final Order that the Class 4 creditors have no economic interest in any Side Letter Related Potential Actions (the "Committee Dissolution Date "). Nothing herein shall prejudice the ability of Professionals of the Committee to file final fee applications or to prosecute any remaining objection to the proofs of claim set forth in Article 11 of the Plan or to raise issues related to the Side Letter Related Potential Actions until the Committee Dissolution Date. Nothing herein shall be deemed to be a consent by KLT to use of its cash collateral, if applicable, for any particular purpose. Nothing herein shall be deemed to be a consent by KLT to use of proceeds it asserts are payable to it under the Settlement Agreements or a waiver of KLT's rights to enforce the Settlement Agreements (or any applicable defenses of other parties thereto).

14.3 **Modification of Writings Evidencing Indebtedness.** On the Effective Date, all writings evidencing indebtedness of the Debtors shall be deemed to be modified as provided in this Plan or documents executed in connection with this Plan.

14.4 **Severability.** Should any provision in this Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this Plan.

14.5 **Governing Law.** Except to the extent that the Code is applicable, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in

---

accordance with, the laws of the State of Missouri, without giving effect to choice of law principles.

14.6 **Successors and Assigns.** The rights and obligations of any entity named or referred to in this Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such entity.

14.7 **Setoffs/Counterclaims.** Except as otherwise provided in this Plan, the applicable Debtor may, but shall not be required to, set off or counterclaim against any Claim and the payments or other distributions to be made pursuant to this Plan in respect of the Claim, claims of any nature whatsoever the estate may have against the holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the applicable Debtor of any claim that the estate may have against the holder; provided, however, that the

applicable Debtor will not seek to set off or counterclaim for any obligation that is not yet due. Setoffs or counterclaims arising from events after the Petition Date shall reduce the payouts under any Allowed Claim dollar for dollar. Setoffs or counterclaims arising from pre-petition events shall only reduce the amount of the Allowed Claim and therefore, shall only reduce the payout amount proportionally with the reduction in the Allowed Claim. If any counterclaim or setoff asserted by the Debtors exceeds the amount of any Claim, the holder of such Claim shall not be entitled to any distribution under the Plan, and the applicable Debtor will reserve the right to recover any such excess counterclaim or setoff from the holder of the applicable Claim.

14.8 **Binding Effect.** Unless this Plan is revoked and withdrawn, the provisions of this Plan shall bind all Creditors and Interestholders, whether or not they vote to accept the Plan.

14.9 **Effect of Confirmation Order.** Except as expressly provided in this Plan and the documents executed in connection with this Plan, the Confirmation Order shall contain an injunction, embodying the protections of the automatic stay of Code (section symbol) 362(a), against the prosecution against the Debtors of any Claim or Interest, whether or not a proof of claim or proof of Interest based on any such debt, liability, or Interest is filed under Code (section symbol) 502, including the pursuit of any Creditor's or Interestholder's derivative actions against any third party derived from the rights and interests of the Debtors or the Debtors' estates, which injunction shall come into effect on the Effective Date.

## ARTICLE 15

### CONDITIONS TO THE EFFECTIVENESS OF THE PLAN

15.1 **Conditions.** All of the following conditions must occur and be satisfied for this Plan to be effective:

15.1.1 **Entry of Confirmation Order.** The Confirmation Order must be signed by the judge of the Court and duly entered on the docket for the Case by the clerk of the Court.

15.1.2 **No Stay.** There must be no stay in effect with respect to the Confirmation Order.

---

15.1.3 **Funding.** The Closing has occurred or if KLT in its sole discretion so elects, the alternative funding under Paragraph 3 of both Settlement Agreements has occurred.

15.1.4 **Settlement Agreements Conditions Satisfied.** The conditions precedent to effectiveness of the Settlement Agreements have been satisfied or waived.

---

15.2 **Conditions Waivable by the Debtors.** The Debtors with the consent of KLT may waive any of the conditions contained in (section symbol)(section symbol) 15.1.4 of this Plan (which shall not be deemed to include funding pursuant to Section 15.1.3 of this Plan).

Respectfully Submitted,

DIGITAL TELEPORT, INC.

By: /s/ Paul Pierron  
Paul Pierron  
President

DTI HOLDINGS, INC.

By: /s/ Paul Pierron  
Paul Pierron

President

DIGITAL TELEPORT OF VIRGINIA, INC.

By: /s/ Paul Pierron  
Paul Pierron  
President

Robert E. Richards, Esq.  
Patrick C. Maxcy, Esq.  
SONNENSCHN NATH & ROSENTHAL  
8000 Sears Tower  
Chicago, Illinois 60606  
Telephone: (312) 876-8000  
Facsimile: (312) 876-7934

David A. Sosne, Esq.  
SUMMERS COMPTON WELLS & HAMBURG  
8909 Ladue Road  
St. Louis, Missouri 63124  
Telephone: (314) 991-4999  
Facsimile: (314) 991-2413

CO-COUNSEL TO DEBTORS AND DEBTORS IN POSSESSION  
Dated: March 31, 2003

## GUARANTY

This Guaranty, dated as of September 12, 2002, is made by Great Plains Energy Incorporated (herein called "Guarantor"), a Missouri corporation with its principal place of business located at 1201 Walnut, Kansas City, Missouri 64106, in favor of Coral Power, L.L.C. (herein called "Creditor") with its principal place of business located at 909 Fannin, Suite 700, Houston, TX 77010.

In order to induce Creditor to enter into, from time to time, agreements or contracts (herein collectively called the "Agreements") with Strategic Energy, L.L.C. (herein called "Debtor"), a Delaware limited liability company and a related company of Guarantor (Guarantor has an indirect ownership interest in Debtor), with its principal place of business located at Two Gateway Center, Pittsburgh, PA 15222, Guarantor acknowledges adequate consideration and hereby agrees as follows:

Section 1. Guaranty. Guarantor hereby unconditionally guarantees the punctual and complete payment when due (whether at stated maturity, by acceleration or otherwise), of any and all indebtedness, liabilities, and obligations under the Agreements of Debtor to Creditor now or hereafter existing, whether absolute or contingent, joint and/or several, secured or unsecured, direct or indirect (all such indebtedness, liabilities and obligations are being herein collectively called the "Obligations"). This Guaranty is a guarantee of payment and not of collection. Guarantor acknowledges that it is jointly and severally liable for payment of the Obligations.

Section 2. Demands. If Debtor fails or refuses to pay any Obligations when due, and Creditor elects to exercise its rights under this Guaranty, Creditor shall make a demand upon Guarantor (hereinafter referred to as a "Payment Demand"). A Payment Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Debtor has failed to pay and an explanation of why such payment is due, with a specific statement that Creditor is calling upon Guarantor to pay under this Guaranty. A Payment Demand satisfying the foregoing requirements when delivered to Guarantor pursuant to Section 7 of this Guaranty shall be required with respect to Obligations before Guarantor is required to pay such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must pay the Obligations within ten business days after its receipt of the Payment Demand. A single written Payment Demand that complies with the terms of this Section 2 shall be effective as to any specific failure to pay during the continuance of such failure to pay, until Debtor or Guarantor has cured such failure to pay, and additional written demands concerning such failure to pay shall not be required until such failure to pay is cured.

Section 3. Waiver. Except as otherwise provided in Sections 2, 5 or 8 hereof, Guarantor hereby waives:

- (a) notice of acceptance of this Guaranty, of the creation and/or existence of any of the Obligations and of any action by Creditor in reliance hereon or in connection herewith;
- (b) promptness, diligence, presentment, demand for payment, notice of

---

dishonor or nonpayment, protest and notice of protest with respect to the Obligations; and

- (c) any requirement that suit be brought against, or any other action by Creditor be taken against, or any notice of default or other notice be given to, or any demand be made on, the Debtor or any other person, or that any other action be taken or not taken as a condition to Guarantor's obligations under this Guaranty or as a condition to enforcement of this Guaranty against Guarantor.

Except as to applicable statutes of limitation or repose, no delay of Creditor in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

Guarantor consents to the renewal, compromise, extension, acceleration or other changes in the time of payment of or other changes in the terms of the Obligations, or any part thereof or any changes or modifications to the terms of the Agreements (collectively, "Changes"); however, such consent shall not be deemed to add to, delete from, or modify any of the terms and conditions of this Guaranty.

Section 4. Representations and Warranties. Guarantor hereby represents and warrants to Creditor as follows:

- (a) Guarantor is a corporation, duly organized, validly existing and in good standing under the laws of the state of its organization, and is duly qualified and in good standing in each jurisdiction where the nature of its business or the character of the assets and properties owned or held under lease by it requires such qualification, except where the failure to so qualify could not reasonably be expected to have a material adverse effect on Guarantor. Guarantor has all requisite power and authority, organizational or otherwise, to conduct in all material respects its business and to own, or hold under lease, its material assets or properties and to execute and deliver, and perform all of its obligations under this Guaranty;
- (b) The execution, delivery and performance by Guarantor of this Guaranty are within the Guarantor's organizational powers, have been duly authorized by all necessary corporate action and do not contravene the organizing documents of Guarantor or any law or material contractual restriction binding on or affecting Guarantor; and

(c) This Guaranty is the legal, valid and binding obligation of Guarantor enforceable against the Guarantor in accordance with its terms except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors rights generally and by general principles of equity.

Section 5. Setoffs and Counterclaims. Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which Debtor or any other affiliate of Guarantor is or may be entitled to, relating to or arising from or out of the Agreements or otherwise, except for defenses relating to, arising from or out

---

of the bankruptcy, insolvency, dissolution or liquidation of Debtor.

Section 6. Amendments, etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by Creditor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7. Addresses for Notices. All notices and other communications provided for hereunder (collectively called "Notice") shall be in writing and delivered personally or mailed by certified mail, postage prepaid and return receipt requested, or by telegram or telecopier, as follows:

To Guarantor:                      Great Plains Energy Incorporated  
1201 Walnut  
Kansas City, MO 64106  
Fax No.: (816) 556-2992  
Attn: Treasurer

To Creditor:                         Coral Power, L.L.C.  
909 Fannin, Suite 700  
Houston, Texas 77010  
Fax No.: (713) 230-7925  
Attn: Credit Manager

Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All Notices by telegram or telecopier shall be confirmed promptly after transmission in writing by certified mail or personal delivery. Any party may change any address to which Notice is to be given to it by giving notice as provided above of such change of address.

Section 8. No Waiver; Remedies. Except as to applicable statutes of limitation or repose, no failure on the part of Creditor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9. Continuing Guaranty; Termination. This Guaranty is an absolute and continuing guaranty, except as specifically set forth herein. This Guaranty shall terminate on the first to occur of (a) ten (10) days after Creditor receives written notice from Guarantor of such termination, (b) the full payment of all Obligations, and (c) September 11, 2003 (the "Termination Date"). Except as set forth in the next sentence, from and after the Termination Date, Guarantor shall have no liability whatsoever for any Obligations created or incurred either before, on or after the Termination Date. Notwithstanding the preceding sentence, (i) no termination of this Guaranty pursuant to clause (a) of this Section 9 shall affect Guarantor's

---

obligations hereunder for any Obligations created or incurred on or before the Termination Date, and (ii) this Guaranty shall continue to be effective or reinstated, as the case may be, if at any time payment of the Obligations created or incurred on or before the Termination Date, or any part thereof, is rescinded or must otherwise be returned by Creditor upon the insolvency, bankruptcy or reorganization of Debtor or otherwise, all as though such payment had not been made. Guarantor's obligations hereunder may not be assigned without Creditor's written consent. This Guaranty shall be binding upon Guarantor, its successors and assigns, and shall inure to the benefit of and be enforceable by Creditor and its successors and assigns.

Section 10. Governing Law. This Guaranty and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of New York, without reference to conflict of laws principles of said state.

Section 11. Limitation on Guarantor's Liability. Notwithstanding anything herein to the contrary, the liability of Guarantor under this Guaranty shall be limited to the following:

(a) Guarantor's liability hereunder shall be and is specifically limited to payments expressly required to be made by Debtor under the Agreements, but in no event shall Guarantor be liable or otherwise subject hereunder to any indirect, special, incidental, consequential, exemplary, punitive or tort damages, costs, attorney's fees and expenses or loss of profits; and

(b) Guarantor's aggregate liability to Creditor under this Guaranty is limited to and shall not exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000) for the period ending March 12, 2003, and thereafter shall be limited to and shall not exceed Five Million Dollars (\$5,000,000).

Section 12. Entire Agreement. This Guaranty embodies the entire agreement and understanding between Guarantor and Creditor and supersedes all prior and contemporaneous agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and shall not affect the meaning hereof.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer as of the date first above written.

GREAT PLAINS ENERGY INCORPORATED

By: /s/ Andrea F. Bielsker  
Name: Andrea F. Bielsker  
Title: Senior Vice President - Finance, Chief  
Financial Officer and Treasurer

---

First Amendment to Guaranty

This First Amendment to Guaranty (the "First Amendment") is made and entered into as of March 7, 2003, by and between Great Plains Energy Incorporated (the "Guarantor") and Coral Power, L.L.C. (the "Creditor"), and, each a "Party" and collectively the "Parties".

Witnesseth:

Whereas, Guarantor issued a certain guaranty dated as of September 12, 2002 in favor of Creditor relating to certain agreements or contracts between Strategic Energy, L.L.C. ("Strategic") and the Creditor (the "Guaranty"), and

Whereas, Guarantor and Creditor wish to amend the Guaranty as set forth below.

Therefore, in consideration of the premises and of the mutual agreements herein contained, the receipt and sufficiency of which is acknowledged by Guarantor and Creditor, the Parties agree as follows:

Section 1. Amendment of Section 11(b). Section 11(b) of the Guaranty is hereby amended in its entirety to read as follows:

"(b) Guarantor's aggregate liability to Creditor under this Guaranty is limited to and shall not exceed Ten Million Dollars (\$10,000,000)."

Section 2. Effectiveness of Amendment. This First Amendment shall be effective as of the date first above written. Except as specifically amended herein, the Guaranty shall remain in full force and effect in accordance with its terms.

In witness whereof, the Parties have signed this First Amendment as of the date first written above.

Great Plains Energy Incorporated

/s/ Andrea F. Bielsker  
Andrea F. Bielsker  
Senior Vice President - Finance, Chief  
Financial Officer and Treasurer

Coral Power, L.L.C.

By: /s/ Robert E. Long  
Name: Robert E. Long  
Title: VP Corp Fin & Treas.

## GUARANTY

This Guaranty, dated as of January 1, 2003, is made by Great Plains Energy Incorporated (herein called "Guarantor"), a Missouri corporation with its principal place of business located at 1201 Walnut, Kansas City, Missouri 64106, in favor of The Cincinnati Gas & Electric Company (herein called "Creditor") with its principal place of business located at 139 East 4<sup>th</sup> Street, Cincinnati, Ohio 45201.

In order to induce Creditor to enter into, from time to time, agreements or contracts (herein collectively called the "Agreements") with Strategic Energy, L.L.C. (herein called "Debtor"), a Delaware limited liability company and a related company of Guarantor (Guarantor has an indirect ownership interest in Debtor), with its principal place of business located at Two Gateway Center, Pittsburgh, PA 15222, Guarantor acknowledges adequate consideration and hereby agrees as follows:

Section 1. Guaranty. Guarantor hereby unconditionally guarantees the punctual and complete payment when due (whether at stated maturity, by acceleration or otherwise), of any and all indebtedness, liabilities, and obligations under the Agreements of Debtor to Creditor now or hereafter existing, whether absolute or contingent, joint and/or several, secured or unsecured, direct or indirect (all such indebtedness, liabilities and obligations are being herein collectively called the "Obligations"). This Guaranty is a guarantee of payment and not of collection. Guarantor acknowledges that it is jointly and severally liable for payment of the Obligations.

Section 2. Demands. If Debtor fails or refuses to pay any Obligations when due, and Creditor elects to exercise its rights under this Guaranty, Creditor shall make a demand upon Guarantor (hereinafter referred to as a "Payment Demand"). A Payment Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Debtor has failed to pay and an explanation of why such payment is due, with a specific statement that Creditor is calling upon Guarantor to pay under this Guaranty. A Payment Demand satisfying the foregoing requirements when delivered to Guarantor pursuant to Section 7 of this Guaranty shall be required with respect to Obligations before Guarantor is required to pay such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must pay the Obligations within thirty (30) days after its receipt of the Payment Demand. A single written Payment Demand that complies with the terms of this Section 2 shall be effective as to any specific failure to pay during the continuance of such failure to pay, until Debtor or Guarantor has cured such failure to pay, and additional written demands concerning such failure to pay shall not be required until such failure to pay is cured.

Section 3. Waiver. Except as otherwise provided in Sections 2, 5 or 8 hereof, Guarantor hereby waives:

- (a) notice of acceptance of this Guaranty, of the creation and/or existence of any of the Obligations and of any action by Creditor in reliance hereon or in connection herewith;
- (b) promptness, diligence, presentment, demand for payment, notice of

---

dishonor or nonpayment, protest and notice of protest with respect to the Obligations; and

- (c) any requirement that suit be brought against, or any other action by Creditor be taken against, or any notice of default or other notice be given to, or any demand be made on, the Debtor or any other person, or that any other action be taken or not taken as a condition to Guarantor's obligations under this Guaranty or as a condition to enforcement of this Guaranty against Guarantor.

Except as to applicable statutes of limitation or repose, no delay of Creditor in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

Guarantor consents to the renewal, compromise, extension, acceleration or other changes in the time of payment of or other changes in the terms of the Obligations, or any part thereof or any changes or modifications to the terms of the Agreements (collectively, "Changes"); however, such consent shall not be deemed to add to, delete from, or modify any of the terms and conditions of this Guaranty. Creditor shall take reasonable efforts to seasonably notify Guarantor of any Changes; provided that Creditor's failure to provide such notice shall not affect the validity or effectiveness of such Changes or Guarantor's obligations hereunder.

Section 4. Representations and Warranties. Guarantor hereby represents and warrants to Creditor as follows:

- (a) Guarantor is a corporation, duly organized, validly existing and in good standing under the laws of the state of its organization, and is duly qualified and in good standing in each jurisdiction where the nature of its business or the character of the assets and properties owned or held under lease by it requires such qualification, except where the failure to so qualify could not reasonably be expected to have a material adverse effect on Guarantor. Guarantor has all requisite power and authority, organizational or otherwise, to conduct in all material respects its business and to own, or hold under lease, its material assets or properties and to execute and deliver, and perform all of its obligations under this Guaranty;

(b) The execution, delivery and performance by Guarantor of this Guaranty are within the Guarantor's organizational powers, have been duly authorized by all necessary corporate action and do not contravene the organizing documents of Guarantor or any law or material contractual restriction binding on or affecting Guarantor; and

(c) This Guaranty is the legal, valid and binding obligation of Guarantor enforceable against the Guarantor in accordance with its terms except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors rights generally and by general principles of equity.

Section 5. Setoffs and Counterclaims. Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses

---

to which Debtor or any other affiliate of Guarantor is or may be entitled to, relating to or arising from or out of the Agreements or otherwise, except for defenses relating to, arising from or out of the bankruptcy, insolvency, dissolution or liquidation of Debtor.

Section 6. Amendments, etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by Creditor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7. Addresses for Notices. All notices and other communications provided for hereunder (collectively called "Notice") shall be in writing and delivered personally or mailed by certified mail, postage prepaid and return receipt requested, or by telegram or telecopier, as follows:

To Guarantor:           Great Plains Energy Incorporated  
                                  1201 Walnut  
                                  Kansas City, MO 64106  
                                  Fax No.: (816) 556-2992  
                                  Attn: Treasurer

To Creditor:             The Cincinnati Gas & Electric Company  
                                  139 East 4<sup>th</sup> Street  
                                  Cincinnati, OH 45201  
                                  Fax No.: (513) 419-5597  
                                  Attn: Credit Manager

Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All Notices by telegram or telecopier shall be confirmed promptly after transmission in writing by certified mail or personal delivery. Any party may change any address to which Notice is to be given to it by giving notice as provided above of such change of address.

Section 8. No Waiver; Remedies. Except as to applicable statutes of limitation or repose, no failure on the part of Creditor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9. Continuing Guaranty; Termination. This Guaranty is an absolute and continuing guaranty, except as specifically set forth herein. This Guaranty shall terminate on the first to occur of (a) ten (10) days after Creditor receives written notice from Guarantor of such termination, (b) the full payment of all Obligations, and (c) December 31, 2003 (the "Termination Date"). Except as set forth in the next sentence, from and after the Termination Date, Guarantor shall have no liability whatsoever for any Obligations created or incurred either

---

before, on or after the Termination Date. Notwithstanding the preceding sentence, (i) no termination of this Guaranty pursuant to clause (a) of this Section 9 shall affect Guarantor's obligations hereunder for any Obligations created or incurred on or before the Termination Date, and (ii) this Guaranty shall continue to be effective or reinstated, as the case may be, if at any time payment of the Obligations created or incurred on or before the Termination Date, or any part thereof, is rescinded or must otherwise be returned by Creditor upon the insolvency, bankruptcy or reorganization of Debtor or otherwise, all as though such payment had not been made. Guarantor's obligations hereunder may not be assigned without Creditor's written consent. This Guaranty shall be binding upon Guarantor, its successors and assigns, and shall inure to the benefit of and be enforceable by Creditor and its successors and assigns.

Section 10. Governing Law. This Guaranty and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Missouri, without reference to conflict of laws principles of said state.

Section 11. Limitation on Guarantor's Liability. Notwithstanding anything herein to the contrary, the liability of Guarantor under this Guaranty shall be limited to the following:

(a) Guarantor's liability hereunder shall be and is specifically limited to payments expressly required to be made by Debtor under the Agreements, but in no event shall Guarantor be liable or otherwise subject hereunder to any indirect, special, incidental, consequential, exemplary, punitive or tort damages, costs, attorney's fees and expenses or loss of profits; and

(b) Guarantor's aggregate liability to Creditor under this Guaranty is limited to and shall not exceed Five Million Dollars (\$5,000,000).

Section 12. Entire Agreement. This Guaranty embodies the entire agreement and understanding between Guarantor and Creditor and supersedes all prior and contemporaneous agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and shall not affect the meaning hereof.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer as of the date first above written.

GREAT PLAINS ENERGY INCORPORATED

By: /s/ Andrea F. Bielsker

Name: Andrea F. Bielsker

Title: Senior Vice President - Finance, Chief Financial Officer and Treasurer

---

First Amendment to Guaranty

This First Amendment to Guaranty (the "First Amendment") is made and entered into as of March 7, 2003, by and between Great Plains Energy Incorporated (the "Guarantor") and The Cincinnati Gas & Electric Company (the "Creditor"), and, each a "Party" and collectively the "Parties".

Witnesseth:

Whereas, Guarantor issued a certain guaranty dated as of January 1, 2003, in favor of Creditor relating to certain agreements or contracts between Strategic Energy, L.L.C. ("Strategic") and the Creditor (the "Guaranty"), and

Whereas, Guarantor and Creditor wish to amend the Guaranty as set forth below.

Therefore, in consideration of the premises and of the mutual agreements herein contained, the receipt and sufficiency of which is acknowledged by Guarantor and Creditor, the Parties agree as follows:

Section 1. Amendment of Section 11(b). Section 11(b) of the Guaranty is hereby amended in its entirety to read as follows:

"(b) Guarantor's aggregate liability to Creditor under this Guaranty is limited to and shall not exceed Eighteen Million Dollars (\$18,000,000)."

Section 2. Effectiveness of Amendment. This First Amendment shall be effective as of the date first above written. Except as specifically amended herein, the Guaranty shall remain in full force and effect in accordance with its terms.

In witness whereof, the Parties have signed this First Amendment as of the date first written above.

Great Plains Energy Incorporated

/s/ Andrea F. Bielsker

Andrea F. Bielsker

Senior Vice President - Finance, Chief Financial Officer and Treasurer

The Cincinnati Gas & Electric Company

By: /s/ M. Stephen Harkness

Name: M. Stephen Harkness

Title: COO & CFO

**Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Great Plains Energy Incorporated (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Bernard J. Beaudoin, as Chairman of the Board, President and Chief Executive Officer of the Company, and Andrea F. Bielsker, as Senior Vice President - Finance, Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Bernard J. Beaudoin

Name: Bernard J. Beaudoin  
Title: Chairman of the Board, President  
and Chief Executive Officer  
Date: May 9, 2003

/s/Andrea F. Bielsker

Name: Andrea F. Bielsker  
Title: Senior Vice President - Finance,  
Chief Financial Officer and Treasurer  
Date: May 9, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Great Plains Energy Incorporated and will be retained by Great Plains Energy Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Kansas City Power & Light Company (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Bernard J. Beaudoin, as Chairman of the Board and Chief Executive Officer of the Company, and Andrea F. Bielsker, as Senior Vice President - Finance, Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Bernard J. Beaudoin

Name: Bernard J. Beaudoin  
Title: Chairman of the Board, and  
Chief Executive Officer  
Date: May 9, 2003

/s/Andrea F. Bielsker

Name: Andrea F. Bielsker  
Title: Senior Vice President - Finance,  
Chief Financial Officer and Treasurer  
Date: May 9, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Kansas City Power & Light Company and will be retained by Kansas City Power & Light Company and furnished to the Securities and Exchange Commission or its staff upon request.