

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended DECEMBER 31, 2001

or

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

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

COMMISSION FILE NUMBER	REGISTRANT, STATE OF INCORPORATION, ADDRESS AND TELEPHONE NUMBER	I.R.S. EMPLOYER IDENTIFICATION NUMBER
03-33207	GREAT PLAINS ENERGY INCORPORATED (A Missouri Corporation) 1201 Walnut Street Kansas City, Missouri 64106 (816) 556-2200	43-1916803
1-107	KANSAS CITY POWER & LIGHT COMPANY (A Missouri Corporation) 1201 Walnut Street Kansas City, Missouri 64106 (816) 556-2200	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:

REGISTRANT	TITLE OF EACH CLASS	
Great Plains Energy Incorporated	Cumulative Preferred Stock par	3.80%
	value \$100 per share	
	Cumulative Preferred Stock par	4.50%
	value \$100 per share	
	Cumulative Preferred Stock par	4.35%
	value \$100 per share	
	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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to  
Item 405 of Regulation S-K is not contained herein, and will not be  
contained, to the best of registrant's knowledge, in definitive proxy  
or information statements incorporated by reference in Part III of  
this Form 10-K or any amendment to the Form 10-K. X

On February 21, 2002, Great Plains Energy Incorporated had 61,873,052  
shares of common stock outstanding. The aggregate market value of the  
common stock held by nonaffiliates of Great Plains Energy Incorporated  
(based upon the closing price of the Company's common stock on the New  
York Stock Exchange on February 21, 2002) was approximately  
\$1,567,357,394.

TABLE OF CONTENTS

	PAGE NUMBER
Cautionary Statements Regarding Forward-Looking Information	ii
Glossary of Terms	iii
PART I	
Item 1 Business	1
Item 2 Properties	9
Item 3 Legal Proceedings	10
Item 4 Submission of Matters to a Vote of Security Holders	11
PART II	
Item 5 Market for Registrant's Common Equity and Related Stockholder Matters	11
Item 6 Selected Financial Data	12
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation	13
Item 7A Quantitative and Qualitative Disclosures About Market Risks	32
Item 8 Financial Statements and Supplementary Data	34
Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	86
PART III	
Item 10 Directors and Executive Officers of the Registrants	86
Item 11 Executive Compensation	86
Item 12 Security Ownership of Certain Beneficial Owners and Management	86
Item 13 Certain Relationships and Related Transactions	86
PART IV	
Item 14 Exhibits, Financial Statement Schedules, and Reports on Form 8-K	87

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

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 PROVIDED FORWARD-LOOKING INFORMATION. THESE IMPORTANT FACTORS INCLUDE:

- - FUTURE ECONOMIC CONDITIONS IN THE REGIONAL, NATIONAL AND INTERNATIONAL MARKETS
- - STATE, FEDERAL AND FOREIGN REGULATION
- - WEATHER CONDITIONS INCLUDING WEATHER-RELATED DAMAGE
- - COST OF FUEL
- - FINANCIAL MARKET CONDITIONS INCLUDING, BUT NOT LIMITED TO, CHANGES IN INTEREST RATES
- - INFLATION RATES
- - INCREASED COMPETITION INCLUDING, BUT NOT LIMITED TO, THE DEREGULATION OF THE ELECTRIC UTILITY INDUSTRY AND THE ENTRY OF NEW COMPETITORS
- - ABILITY TO CARRY OUT MARKETING AND SALES PLANS
- - ABILITY TO ACHIEVE GENERATION PLANNING GOALS AND THE OCCURRENCE OF UNPLANNED GENERATION OUTAGES
- - NUCLEAR OPERATIONS
- - ABILITY TO ENTER NEW MARKETS SUCCESSFULLY AND CAPITALIZE ON GROWTH OPPORTUNITIES IN NONREGULATED BUSINESSES
- - ADVERSE CHANGES IN APPLICABLE LAWS, REGULATIONS OR RULES GOVERNING ENVIRONMENTAL REGULATIONS (INCLUDING AIR QUALITY), TAX OR ACCOUNTING MATTERS
- - DELAYS IN THE ANTICIPATED IN-SERVICE DATES OF ADDITIONAL GENERATING CAPACITY
- - PERFORMANCE OF PROJECTS UNDERTAKEN BY OUR NON-REGULATED BUSINESSES AND THE SUCCESS OF EFFORTS TO INVEST IN AND DEVELOP NEW OPPORTUNITIES
- - AVAILABILITY AND COST OF CAPITAL AND
- - OTHER RISKS AND UNCERTAINTIES.

THIS LIST OF FACTORS IS NOT ALL-INCLUSIVE BECAUSE IT IS NOT POSSIBLE TO PREDICT ALL POSSIBLE FACTORS.

## GLOSSARY OF TERMS

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

ABBREVIATION OR ACRONYM	DEFINITION
APB	Accounting Principles Board
CLEAN AIR ACT	Clean Air Act Amendments of 1990
CO2	Carbon Dioxide
CONSOLIDATED KCP&L	KCP&L and its subsidiary HSS
DIP	Debtor-in-Possession
DTI	DTI Holdings, Inc. and its subsidiary Digital Teleport Inc.
DOE	Department of Energy
EIRR bonds	Environmental Improvement Revenue Refunding bonds
EPA	Environmental Protection Agency
EPS	Earnings per share
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
IBEW	International Brotherhood of Electrical Workers
IOUS	Investor owned utilities
GPP	Great Plains Power Incorporated, a subsidiary of Great Plains Energy Incorporated
HSS	Home Service Solutions Inc., a subsidiary of KCP&L
KCC	The State Corporation Commission of the State of Kansas
KCP&L	Kansas City Power & Light Company, a regulated electric utility subsidiary of Great Plains Energy Incorporated
MACT	Maximum Achievable Control Technology
MISO	Midwest Independent System Operator
MPSC	Missouri Public Service Commission
MW	Megawatt
NEIL	Nuclear Electric Insurance Limited
NOX	Nitrogen Oxide
NRC	Nuclear Regulatory Commission
PCBS	Polychlorinated biphenyls
PUHCA	Public Utility Holding Company Act of 1935
RSAE	R.S. Andrews Enterprises, Inc. a consumer services company in which HSS owns a 72% equity interest
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SPP	Southwest Power Pool
SFAS	Statement of Financial Accounting Standards
SUPERFUND LAW	Federal Comprehensive Environmental Response, Compensation and Liability Act
WCNOC	Wolf Creek Nuclear Operating Corporation

## PART I

### ITEM 1. BUSINESS

#### ORGANIZATION

On October 1, 2001, Great Plains Energy Incorporated (Great Plains Energy), a Missouri corporation incorporated in 2001, became the sole owner of all the common stock of Kansas City Power & Light Company (KCP&L), a public utility subsidiary. As a result of this ownership, Great Plains Energy is considered a utility holding company registered with and subject to the regulation of the Securities Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935, as amended (PUHCA). Great Plains Energy does not own or operate any significant assets other than the stock of its subsidiaries. Other wholly-owned subsidiaries in addition to KCP&L are KLT Inc. and Great Plains Power Incorporated (GPP).

KCP&L, incorporated in Missouri in 1922, engages in the generation, transmission, distribution and sale of electricity. KCP&L, headquartered in downtown Kansas City, Missouri, has approximately 474,000 customers located in all or portions of 23 counties in western Missouri and eastern Kansas. KCP&L contributed approximately 66% of Great Plains Energy's revenue in 2001. About 58% of KCP&L's retail revenues in 2001 were from Missouri customers and the remainder from Kansas customers. Customers included approximately 419,000 residences, 53,000 commercial firms, and 2,000 industrials, municipalities and other electric utilities. Retail electric revenues accounted for approximately 90% of KCP&L's total electric revenues in 2001. Wholesale firm power, bulk power sales and miscellaneous electric revenues accounted for the remainder of utility revenues.

KCP&L is regulated by the Public Service Commission of the State of Missouri (MPSC), the State Corporation Commission of the State of Kansas (KCC), the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission (NRC) and certain other governmental regulatory bodies as to various phases of its operations, including rates, service, safety and nuclear plant operations, environmental matters and issuances of securities. KCP&L's retail electric rates are set by the MPSC and the KCC. KCP&L currently has no rate proceeding pending in either state; however, the moratorium on rate changes in Missouri will expire on March 1, 2002. KCP&L is also subject to regulation as a subsidiary of a registered holding company under PUHCA.

KLT Inc., formed in 1992, is an investment company that holds interests in three primary unregulated energy-related businesses: KLT Energy Services Inc., KLT Gas Inc., and KLT Telecom Inc. See further information appearing in "Unregulated Businesses" on page 5. KLT Inc. was transferred to Great Plains Energy by KCP&L in connection with the corporate reorganization on October 1, 2001. KLT Inc. contributed approximately 29% of Great Plains Energy's revenues in 2001.

GPP, formed in 2001, is focusing on the development, production and trading of wholesale electric capacity and energy. GPP has made no investments to date.

Financial information regarding Great Plains Energy's operating segments is contained in "Notes to Consolidated Financial Statements" "Note 9" on page 67.

#### CURRENT DEVELOPMENTS

The electric utility industry in our twenty-three county service territory has been relatively stable for many years. In recent years there have been a number of developments in the industry aimed at restructuring and increasing competition. These initiatives have not been adopted in the states of Missouri and Kansas. In many parts of the country, generating assets have become deregulated with power sold to utilities on a competitive basis, transmission assets have become subject to the control

of an independent system operator and distribution systems have remained regulated. We believe that our current holding company structure, combined with the formation of GPP, positions us to operate successfully in the changing environment. We are supporting legislation in Missouri that would allow utilities to transfer generation assets to affiliated generating companies such as GPP. Great Plains Energy is also supporting the proposed federal comprehensive energy legislation and the repeal of PUHCA.

The FERC recently ordered investor owned utilities to join a Regional Transmission Organization (RTO) by December 19, 2001. In the last open meeting held in 2001, FERC lifted this deadline and has not set another. Investor owned utilities (IOUs) are still encouraged to join a RTO, and FERC requires this membership for market based rate authority. KCP&L is involved with the development and is positioned to become a member of a Midwest RTO that would result from the consolidation of the Midwest Independent System Operator and the Southwest Power Pool.

#### CAPITAL PROGRAM AND FINANCING

For information on the Company's capital program and financial needs, see Item 7 "Management's Discussion and Analysis of Financial Conditions and Results of Operations" "Capital Requirements and Liquidity" on page 27 and "Notes to Consolidated Financial Statements" "Notes 12 and 13" on page 72.

#### REGULATED BUSINESS

The following describes KCP&L's regulated electric utility operations and activities which is Great Plains Energy's primary business segment.

##### FUEL SUPPLY

KCP&L's principal sources of fuel for electric generation are coal and nuclear fuel. KCP&L expects to satisfy about 97% of the 2002 fuel requirements from these sources with the remainder provided by natural gas, oil and steam. The 2001 and estimated 2002 fuel mix, based on total Btu generation, are as follows:

FUEL	Estimated	
	2001	2002
----	----	----
Coal	69%	74%
Nuclear	28%	23%
Other	3%	3%

##### COAL

KCP&L's average cost per million Btu of coal burned, excluding fuel handling costs, was \$0.84 in 2001, \$0.85 in 2000, and \$0.82 in 1999.

During 2002, approximately 11.2 million tons of coal are projected to be burned at KCP&L's generating units including jointly owned units. This amount reflects increased coal use in 2002 due to the completion in June 2001 of the new 650 mw Hawthorn 5 unit. KCP&L has entered into coal-purchase contracts with various suppliers in Wyoming's Powder River Basin, the nation's principal supplier of low-sulfur coal. These contracts, with expiration dates in 2002 and 2003, will satisfy approximately 95% of the projected coal requirements for 2002 and 40% for 2003.

## NUCLEAR

KCP&L owns 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for the Wolf Creek Generating Station (Wolf Creek). WCNOC has on hand or under contract 83% of the uranium required to operate Wolf Creek through March 2005. The balance is expected to be obtained through contract and spot market purchases.

As of December 31, 2001, KCP&L's portion of Wolf Creek nuclear fuel contracts included costs of \$22.7 million for enrichment through 2006, \$57.5 million for fabrication through 2025 and \$3.8 million for uranium and conversion through 2003.

Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. KCP&L pays the DOE a quarterly fee of one-tenth of a cent for each kilowatt-hour of net nuclear generation delivered and sold for the future disposal of spent nuclear fuel. These disposal costs are charged to fuel expense. We cannot predict when a permanent disposal site may be available. Wolf Creek has recently completed an on-site storage facility that is expected to hold all spent fuel generated at the plant through the end of its licensed life in 2025.

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated the development of 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 Nebraska to locate a disposal facility. Nebraska officials opposed the facility and Nebraska has given notice of withdrawal from the Compact. Currently, the low-level waste from Wolf Creek is being processed and disposed of in other federally-approved facilities.

## PURCHASED POWER

At times, KCP&L purchases power to meet the requirements of its customers. While we believe we can obtain enough purchased power to meet any future needs, price and availability of the purchases may be significantly impacted during periods of excessive demand.

## 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 affect 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 rigid environmental regulations that could require substantial changes to operations or facilities at a significant cost. Expenditures made in 2001 to comply with environmental laws and regulations were not material in amount and are not expected to be material in the upcoming years with the exception of the issues discussed below.

## AIR

### MONITORING EQUIPMENT AND 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 (The 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 United States Environmental Protection Agency (EPA) announced it would propose Maximum Achievable Control Technology (MACT) requirements to reduce mercury emissions by December 2003 and issue final rules by December 2004. 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 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 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. The Appeals Court has not rendered a decision, and the new particulate standards have not been finalized. Without implementation of the regulations, the outcome cannot be determined, but 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 NOx emissions. These regulations initially called for 22 states, including Missouri, to submit plans for controlling NOx emissions. The regulations require a significant reduction in NOx 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 NOx reduction program based on the 1-hour NOx standard. On March 3, 2000, a three-judge panel of the District of Columbia Circuit of the U.S. Court of Appeals sent the NOx 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. This decision will likely delay the implementation of new NOx regulations by the EPA in the western portion of Missouri for some time.

If required to be implemented, KCP&L would need to incur significant capital costs, purchase power or purchase NOx 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.

## UNREGULATED BUSINESSES

The following describes the operations and activities of our unregulated subsidiaries. For further information, see Item 7 "Management's Discussion and Analysis of Financial Conditions and Results of Operations".

KLT Inc. has five wholly-owned direct subsidiaries:

- KLT ENERGY SERVICES INC. is an investor in companies which provide products and services to commercial and industrial customers to control the amount, cost and quality of electricity.

KLT Energy Services Inc. has a majority interest in Strategic Energy, L.L.C., an energy services provider that supplies electricity to retail end-users in deregulated markets. Strategic Energy currently acts as an energy manager to approximately 19,500 commercial and small manufacturing accounts in Pennsylvania, Ohio, Texas, New York, Massachusetts and California.

- KLT GAS INC., headquartered in Houston, Texas, is an investor in natural gas producing properties and companies.

KLT Gas Inc. is primarily focused on creating value through early stage coal bed methane property discovery, development and divestiture. As of December 31, 2001, it directly owned over 250,000 net mineral acres of coal bed methane properties primarily in Wyoming, Colorado, Nebraska and Kansas. FAR Gas Acquisitions Corporation, a wholly-owned subsidiary of KLT Inc. Gas Inc., holds limited partnership interests in coal bed methane gas well properties.

- KLT TELECOM INC. is an investor in communications and information technology.

KLT Telecom's primary investment is an 84% ownership of DTI Holdings, Inc., the parent company of Digital Teleport, Inc. (DTI). DTI is a facilities-based telecommunications company based in St. Louis, Missouri, that focuses on providing access and connectivity to underserved secondary and tertiary markets. On December 31, 2001, DTI filed voluntary petitions for reorganization under Chapter 11 of the U.S. bankruptcy code, and DTI continues to conduct its business operations while it restructures its financial obligations. See further information appearing in Item 7 "Management's Discussion and Analysis of Financial Conditions and Results of Operations" "Subsidiary of KLT Telecom Files for Bankruptcy - DTI" on page 23.

- KLT INVESTMENTS INC. is a passive investor in affordable housing investments that generate tax credits.
- KLT INVESTMENTS II INC. is a passive investor in economic and community-development and energy-related projects.

KCP&L has one unregulated wholly-owned subsidiary, Home Service Solutions Inc. (HSS), which has invested in two companies. See information appearing in Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations", "HSS Operations" on page 21.

- R. S. ANDREWS ENTERPRISES, INC. (RSAE), headquartered in Atlanta, Georgia, provides energy-related residential services. HSS increased its ownership interest in RSAE from 49% in 2000 to 72% in 2001.
- WORRY FREE SERVICE, INC., a participant in electrical and energy-related services to residential users (owned 100% by HSS).

EMPLOYEES

On December 31, 2001, Great Plains Energy and its wholly-owned subsidiaries had 2,258 employees. Of this number, 2,248 were employees of KCP&L and 10 were employees of KLT Inc. Of the KCP&L employees, 1,397 were represented by three local unions of the International Brotherhood of Electrical Workers (IBEW). KCP&L has labor agreements with Local 1613, representing clerical employees (which expires March 31, 2002), with Local 1464, representing outdoor workers (which expires January 31, 2003), and with Local 412, representing power plant workers (which expires February 29, 2004).

EXECUTIVE OFFICERS OF THE REGISTRANTS

Name	Age	Positions Currently Held	Year Assumed First Officer Position
----	---	-----	-----
Bernard J. Beaudoin	61	Chairman of the Board, President and Chief Executive Officer - Great Plains Energy Incorporated	1984
		Chairman of the Board, President and Chief Executive Officer - Kansas City Power & Light Company	
		Chairman of the Board - Great Plains Power Incorporated	
Andrea F. Bielsker	43	Vice President - Finance, Chief Financial Officer and Treasurer - Great Plains Energy Incorporated	1996
		Vice President - Finance, Chief Financial Officer and Treasurer - Kansas City Power & Light Company	

Frank L. Branca	54	Vice President - Generation Services - Kansas City Power & Light Company	1989
		President - Kansas City Power & Light Company Power Division	
John J. DeStefano	52	Vice President - Finance - Great Plains Power Incorporated	1989
William H. Downey(1)	56	Executive Vice President - Great Plains Energy Incorporated	2000
		President - Kansas City Power & Light Company Delivery Division	
Stephen T. Easley(2)	46	President and Chief Executive Officer - Great Plains Power Incorporated	2000
William P. Herdegen III(3)	47	Vice President - Distribution Operations - Kansas City Power & Light Company Delivery Division	2001
Jeanie S. Latz	50	Senior Vice President - Corporate Services and Secretary - Great Plains Energy Incorporated	1991
		Secretary - Kansas City Power & Light Company	
Nancy J. Moore	52	Vice President - Customer Services - Kansas City Power & Light Company Delivery Division	2000
Douglas M. Morgan	59	Vice President - Information Technology and Support Services - Great Plains Energy Incorporated	1994
Brenda Nolte(4)	49	Vice President - Public Affairs - Great Plains Energy Incorporated	2000

- - - - -

(1) MR. DOWNEY WAS PRESIDENT OF UNICOM ENERGY SERVICES COMPANY INC. FROM 1997-1999; AND VICE PRESIDENT OF COMMONWEALTH EDISON COMPANY FROM 1992-1999.

(2) MR. EASLEY WAS DIRECTOR OF CONSTRUCTION AT KCP&L FROM OCTOBER 1999-APRIL 2000; ASSISTANT TO THE CHIEF FINANCIAL OFFICER AT KCP&L IN 1999; AND VICE PRESIDENT, BUSINESS DEVELOPMENT AMERICAS WITH KLT POWER INC. FROM MARCH 1996-NOVEMBER 1998.

(3) MR. HERDEGEN WAS CHIEF OPERATING OFFICER AT LARAMORE, DOUGLASS AND POPHAM IN 2001 AND VICE PRESIDENT AND DIRECTOR OF UTILITIES PRACTICE AND SYSTEM DEVELOPMENT INTEGRATION, A CONSULTING COMPANY, FROM 1999 TO 2001; AND HELD VARIOUS POSITIONS AT COMMONWEALTH EDISON DURING 1976-1999.

(4) MS. NOLTE WAS VICE PRESIDENT, CORPORATE AFFAIRS, WITH AMC ENTERTAINMENT FROM 1997-2000; DIRECTOR, CENTER FOR REGIONAL DEVELOPMENT WITH MIDWEST RESEARCH INSTITUTE IN 1997; AND PUBLIC AFFAIRS OFFICER WITH PAYLESS CASHWAYS FROM 1987-1997.

Gregory Orman(5)	33	President and Chief Executive Officer KLT Inc.	2000
William G. Riggins	43	General Counsel - Great Plains Energy Incorporated	2000
Neil A. Roadman	56	Controller - Great Plains Energy Incorporated	1980
		Controller - Kansas City Power & Light Company	
Richard A. Spring	47	Vice President - Transmission Services - Kansas City Power & Light Company Delivery Division	1994
Andrew B. Stroud, Jr.(6)	43	Vice President - Human Resources - Great Plains Energy Incorporated	2001
Bailus M. Tate	55	Vice President - Administration - Kansas City Power & Light Company Power Division	1994

All of the above individuals have been officers or employees in a responsible position with the Company for the past five years except as noted in the footnotes. The term of office of each officer commences with his or her appointment by the Board of Directors and ends at such time as the Board of Directors may determine.

- - - - -

(5) MR. ORMAN WAS PRESIDENT AND CHIEF EXECUTIVE OFFICER CUSTOM ENERGY LLC FROM 1997 TO 1999; AND CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF ENVIRONMENTAL LIGHTING CONCEPTS INC. FROM 1994-1997.

(6) MR. STROUD WAS VICE PRESIDENT-GLOBAL HUMAN RESOURCES OF EVENFLO COMPANY, INC. IN 2000-2001; AND HELD VARIOUS MANAGEMENT POSITIONS AT PEPSICO DURING 1991-2000.

ITEM 2. PROPERTIES

KCP&L GENERATION RESOURCES

KCP&L's generating facilities consist of the following:

	Unit	Year Completed	Estimated 2002 Megawatt Capacity (mw)	Primary Fuel
	----	-----	-----	-----
Existing Units				
Base Load	Wolf Creek(a)	1985	550(b)	Nuclear
	Iatan	1980	469(b)	Coal
	LaCygne 2	1977	337(b)	Coal
	LaCygne 1	1973	344(b)	Coal
	Hawthorn 9(c)	2000	137	Gas
	Hawthorn 6(d)	1997	132	Gas
	Hawthorn 5(e)	1969	575	Coal
	Montrose 3	1964	176	Coal
	Montrose 2	1960	164	Coal
	Montrose 1	1958	170	Coal
Peak Load	Hawthorn 8(d)	2000	77	Gas
	Hawthorn 7(d)	2000	77	Gas
	Northeast 13 and 14(d)	1976	114	Oil
	Northeast 17 and 18(d)	1977	117	Oil
	Northeast 15 and 16(d)	1975	116	Oil
	Northeast 11 and 12(d)	1972	111	Oil
	Northeast Black Start Unit	1985	2	Oil
	Grand Avenue (2 units)	1929 & 1948	65	Gas
	Total		3,733	
			=====	

- (a) This unit is one of KCP&L's principal generating facilities and has the lowest fuel cost of any of its generating facilities. An extended shutdown of the unit could have a substantial adverse effect on the operations of KCP&L and its financial condition.
- (b) KCP&L's share of jointly-owned unit.
- (c) Heat Recovery Steam Generator portion of combined cycle.
- (d) Combustion turbines.
- (e) On February 17, 1999, an explosion occurred at the Hawthorn Generating Station. The station returned to commercial operation on June 20, 2001.

KCP&L's maximum system net hourly summer peak load of 3,374 mw occurred on August 28, 2000. The maximum winter peak load of 2,382 mw occurred on December 18, 2000.

KCP&L owns the Hawthorn Station (Jackson County, Missouri), Montrose Station (Henry County, Missouri), Northeast Station (Jackson County, Missouri) and two Grand Avenue Station turbine generators (Jackson County, Missouri). KCP&L also owns 50% of the 688-mw LaCygne 1 Unit and 674-mw LaCygne 2 Unit in Linn County, Kansas; 70% of the 670-mw Iatan Station in Platte County, Missouri; and 47% of the 1,170 mw Wolf Creek in Coffey County, Kansas.

## KCP&L TRANSMISSION AND DISTRIBUTION RESOURCES

KCP&L's electric transmission system interconnects with systems of other utilities to permit bulk power transactions with other electricity suppliers. KCP&L owns approximately 1,700 miles of transmission lines, approximately 8,900 miles of overhead distribution lines, and approximately 3,400 miles of underground distribution lines. KCP&L has all the franchises necessary to sell electricity within the territories from which substantially all of its gross operating revenue is derived.

## KCP&L GENERAL

KCP&L's principal plants and properties, insofar as they constitute real estate, are owned in fee simple; certain other facilities are located on premises held under leases, permits or easements; and its electric transmission and distribution systems are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements or licenses (deemed satisfactory but without examination of underlying land titles) have been obtained.

Substantially all of the fixed property and franchises of KCP&L, which consists principally of electric generating stations, electric transmission and distribution lines and systems, and buildings subject to exceptions and reservations, are subject to a General Mortgage Indenture and Deed of Trust dated as of December 1, 1986.

## KLT GAS INC.

As of December 31, 2001, KLT Gas Inc. owned approximately 250,000 net mineral acres in Wyoming, Colorado, Texas, Kansas and Nebraska. KLT Gas Inc. has completed four pilots and is currently production testing these prospects to determine their economic viability. Subsequent to year-end, KLT Gas Inc. acquired additional mineral leases covering approximately 18,000 net acres in Colorado thereby establishing a new prospect area. KLT Gas Inc. expects to begin testing this prospect by year-end.

## ITEM 3. LEGAL PROCEEDINGS

PATRICIA S. LANG, ET AL. ON BEHALF OF HERSELF AND ALL OTHERS SIMILARLY SITUATED V. KANSAS CITY POWER & LIGHT COMPANY. On October 8, 1999, a First Amended Class Action Complaint was filed against KCP&L in the United States District Court, Western District of Missouri (the Court) by Patricia Lang (the Plaintiff). The complaint, filed as a class action on behalf of Plaintiff and all other current and former African American employees, alleged that Plaintiff and the members of the proposed class were subjected to a hostile and offensive working environment, denied promotional opportunities, compensated less than similarly or less qualified Caucasian employees, and were disciplined and/or terminated for complaining about allegedly racially discriminatory practices by KCP&L. The complaint sought a monetary award for alleged lost wages and fringe benefits, alleged wage differentials, as well as punitive damages, attorneys fees and costs of the action together with an injunction to prohibit KCP&L from retaliating against the litigants and to continue court monitoring of KCP&L's compliance with anti-discrimination laws. On March 1, 2001, the Court denied Plaintiff's motion to certify a class action of African-American employees in the race discrimination case. The Plaintiff appealed this decision and on April 10, 2001, the United States Court of Appeals for the 8th Circuit (the 8th Circuit Court of Appeals) denied the appeal. On January 11, 2002, the Court dismissed Plaintiff's individual case on summary judgment. On February 8, 2002, Plaintiff appealed both the decision dismissing her individual case on summary judgment and the order denying her motion for class certification to the 8th Circuit Court of Appeals.

DTI CHAPTER 11 REORGANIZATION PROCEEDINGS

Pending in the United States Bankruptcy Court for the Eastern District of Missouri (Bankruptcy Court) is the bankruptcy reorganization proceedings filed on December 31, 2001, by DTI and its Virginia subsidiary in Case Nos. 01-54369-399, 01-54370-399 and 01-54371-399. These proceedings have been consolidated for joint procedural administration. DTI is continuing to conduct its business operations while it restructures its financial obligations. KLT Telecom Inc. is a creditor in the proceedings and has agreed to provide Debtor in Possession financing in amounts up to \$5 million to DTI pending approval by the Bankruptcy Court.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter, no matter was submitted to a vote of security holders through the solicitation of proxies or otherwise for either Great Plains Energy or KCP&L.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

GREAT PLAINS ENERGY

Great Plains Energy common stock is listed on the New York Stock Exchange under the symbol GXP. Prior to October 1, 2001, the Company was listed on the New York Stock Exchange under the symbol KLT. At December 31, 2001, Great Plains Energy's common stock was held by 18,393 shareholders of record. Information relating to market prices and cash dividends on Great Plains Energy's common stock is set forth below:

QUARTER	Common Stock Price Range (\$)			
	2000		2001	
	HIGH	LOW	HIGH	LOW
First	29	20.875	27.56	23.60
Second	28.75	22.50	26.75	23.63
Third	28.75	23.5625	26.13	23.70
Fourth	28.1875	23.8125	27.35	23.19

QUARTER	COMMON STOCK DIVIDENDS DECLARED		
	2000	2001	2002
First	\$0.415	\$0.415	\$0.415
Second	0.415	0.415	
Third	0.415	0.415	
Fourth	0.415	0.415	

Great Plains Energy's Articles of Incorporation contain certain restrictions on the payment of dividends on Great Plains Energy's common stock in the event common equity falls to 25% of total capitalization. If preferred stock dividends are not declared and paid when scheduled, Great Plains Energy could not declare or pay common stock dividends or purchase any common shares. If the unpaid preferred stock dividends equal four or more full quarterly dividends, the preferred shareholders, voting as a single class, could elect members to the Board of Directors.

KCP&L

Great Plains Energy holds all the outstanding shares of KCP&L's common stock.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2001(b)	2000(b)	1999(b)	1998(c)	1997(c)
	(dollars in millions except per share amounts)				
Great Plains Energy (a)					
Operating revenues	\$1,462	\$1,116	\$ 921	\$ 973	\$ 917
Income (loss) before extraordinary item and cumulative effect of changes in accounting principles (d)	\$ (40)	\$ 129	\$ 82	\$ 121	\$ 77
Net income (loss)	\$ (24)	\$ 159	\$ 82	\$ 121	\$ 77
Basic and diluted earnings (loss) per common share before extraordinary item and cumulative effect of changes in accounting principles	\$(0.68)	\$ 2.05	\$ 1.26	\$ 1.89	\$ 1.18
Basic and diluted earnings (loss) per common share	\$(0.42)	\$ 2.54	\$ 1.26	\$ 1.89	\$ 1.18
Total assets at year end	\$3,464	\$3,294	\$2,990	\$3,012	\$3,058
Total mandatorily redeemable preferred securities	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
Total redeemable preferred stock and long-term debt (including current maturities)	\$1,195	\$1,136	\$ 815	\$ 913	\$1,008
Cash dividends per common share	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.64	\$ 1.62
Consolidated KCP&L (a)					
Operating revenues	\$1,351	\$1,116	\$ 921	\$ 973	\$ 917
Income before extraordinary item and cumulative effect of changes in accounting principles (d)	\$ 104	\$ 129	\$ 82	\$ 121	\$ 77
Net income	\$ 120	\$ 159	\$ 82	\$ 121	\$ 77
Total assets at year end	\$3,146	\$3,294	\$2,990	\$3,012	\$3,058
Total mandatorily redeemable preferred securities	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
Total redeemable preferred stock and long-term debt (including current maturities)	\$1,164	\$1,136	\$ 815	\$ 913	\$1,008

- (a) Great Plains Energy's consolidated financial statements include consolidated KCP&L, KLT Inc. and GPP. KCP&L's consolidated financial statements include its wholly owned subsidiary HSS. In addition, KCP&L's consolidated results of operations include KLT Inc. and GPP for all periods prior to the October 1, 2001 formation of the holding company.
- (b) See Management's Discussion for explanation of 2001, 2000 and 1999 results.
- (c) KCP&L incurred significant merger-related costs of \$15 million in 1998 and \$60 million in 1997. Included in 1997 merger expense is the \$53 million payment to UtiliCorp United (UtiliCorp) for terminating the merger with UtiliCorp and agreeing to a merger with Western Resources Inc. Subsequently, the planned merger with Western Resources Inc. was terminated.
- (d) In 2001, this amount is before the \$15.9 million after taxes extraordinary gain on early extinguishment of debt. For further information, see Note 17 to the consolidated financial statements. In 2000, this amount is before the \$30.1 million after taxes cumulative effect of changes in pension accounting. For further information, see Note 3 to the consolidated financial statements.



ITEM 7. 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 Financial Statements and Notes. Note 9. Segment and Related Information summarizes the income statement by segment.

Great Plains Energy Incorporated

Effective October 1, 2001, Great Plains Energy became the holding company of the following subsidiaries:

- - KCP&L, an integrated electric utility in the states of Missouri and Kansas, focused on providing reliable, low-cost electricity to retail customers;
- - HSS, an unregulated subsidiary of KCP&L, holds investments in businesses primarily in residential services;
- - GPP, a competitive generator that will focus on development, production and trading of wholesale electric capacity and energy; and
- - KLT Inc., an investment company focusing on energy-related ventures that are unregulated with high growth potential.

Effective October 1, 2001, all outstanding KCP&L shares are exchanged one for one for shares of Great Plains Energy shares. The Great Plains Energy trading symbol "GXP" replaced the KCP&L trading symbol "KLT" on the New York Stock Exchange.

## Great Plains Energy Consolidated Earnings Overview

Great Plains Energy's earnings decreased from \$157.1 million, or \$2.54 per share in 2000, to a loss of \$25.8 million, or \$(0.42) per share, in 2001. The decrease is primarily a result of a \$195.8 million net write-off related to the bankruptcy filing of DTI as discussed below. The following table provides an overview of the contributions to earnings for the years ended December 31, 2001, 2000 and 1999.

	2001	2000	1999
EPS summary			
Consolidated KCP&L			
KCP&L, excluding cumulative effect	\$ 1.57	\$ 0.91	\$ 1.34
Cumulative effect of changes in pension accounting	-	0.49	-
KCP&L	1.57	1.40	1.34
HSS	(0.09)	(0.22)	(0.06)
Consolidated KCP&L	1.48	1.18	1.28
KLT Inc.			
Excluding extraordinary item	(2.14)	1.36	(0.02)
Extraordinary item:			
Early extinguishment of debt	0.26	-	-
KLT Inc.	(1.88)	1.36	(0.02)
GPP and other	(0.02)	-	-
Reported Consolidated EPS	\$(0.42)	\$ 2.54	\$ 1.26

Effective January 1, 2000, KCP&L changed its methods of amortizing unrecognized net gains and losses and determination of expected return related to its accounting for pension expense. Accounting principles required KCP&L to record the cumulative effect of these changes increasing 2000 earnings by \$30.1 million (\$0.49 per share) in 2000. Adoption of the new methods of accounting for pensions could lead to greater fluctuations in pension expense in the future. The portions of the cumulative effect of pension accounting changes attributable to KLT Inc. and HSS are immaterial and, therefore, were not allocated to these subsidiaries.

On February 1, 2001, DTI, an equity investment of KLT Telecom on that date, completed a tender offer for 50.4% of its outstanding senior discount notes. This transaction resulted in a \$15.9 million (\$0.26 per share) extraordinary gain on the early extinguishment of debt.

For further discussion regarding each segment's contribution to consolidated EPS, see its respective Earnings Overview section below.

### Consolidated KCP&L

The following discussion of KCP&L's results of operations excludes the results of operations for KLT Inc., which was transferred to Great Plains Energy on October, 2001, and discusses HSS separately. KCP&L's Consolidated Income Statement, however, includes KLT Inc.'s results of operations for the nine-months ended September 30, 2001, and HSS' results of operations. Consequently, the KCP&L discussion should be read in conjunction with the information provided in Note 9 of the notes to consolidated financial statements which provides financial information for the relevant periods for KCP&L, HSS and KLT Inc. separately.

## KCP&L Operations

### KCP&L Business Overview

KCP&L, a regulated utility, consists of two business units - power and delivery.

The power business unit has over 3,700 megawatts of generating capacity. The rebuild of the boiler at Hawthorn No. 5 was completed and the unit was returned to commercial operation on June 20, 2001. During 2001, KCP&L entered into a \$200 million, five-year construction and operating lease transaction for five combustion turbines that will add 385 megawatts of peaking capacity. Site preparation will begin in 2002 for the arrival of the first combustion turbine in 2003. The operating lease may be amended to transfer the right to use some or all of the units to GPP. If transferred, a significant portion of the output from some of these units may be sold to KCP&L.

The delivery business unit consists of transmission and distribution facilities that serve over 474,000 customers as of December 31, 2001. Load growth increased annually by approximately 2.0% to 2.5% through increased customer usage and additional customers. Rates charged for electricity are below the national average and its reliability of service is above the national average.

KCP&L is regulated and follows SFAS No. 71, which applies to regulated entities with rates that are designed to recover the costs of providing service. Accordingly, KCP&L defers on the balance sheet items when allowed by a commission's rate order or when it is probable, based on regulatory past practices, that future rates will recover the amortization of the deferred costs. If SFAS No. 71 were not applicable, regulatory assets would be written off. At December 31, 2001, KCP&L had \$124.4 million of unamortized regulatory assets.

KCP&L had an obligation, under FERC Order 2000, to join a FERC approved RTO by December 19, 2001. RTOs combine regional transmission operations of utility businesses into an organization that schedules transmission services and monitors the energy market to ensure regional transmission reliability and non-discriminatory access. However, during the fourth quarter of 2001, the FERC lifted its deadline and has not yet set another. KCP&L is a member of the SPP. In July 2001, the FERC rejected the SPP RTO proposal. On December 19, 2001, the FERC approved the RTO proposal submitted by the MISO. The SPP and the MISO announced plans to consolidate the two organizations to create a larger Midwestern RTO based on the December ruling. The SPP and the MISO will vote on this consolidation in the first quarter of 2002. The Midwestern RTO, a non-profit organization, would operate in twenty states and one Canadian province.

#### KCP&L Earnings Overview

KCP&L contributed EPS of \$1.57 for 2001, compared to \$0.91 for 2000, excluding the cumulative effect of changes in pension accounting, and \$1.34 for 1999. The following table and discussion highlight significant factors affecting the changes in KCP&L's EPS contribution for the periods indicated.

	2001 compared to 2000	2000 compared to 1999
Revenue, net of fuel and purchased power expense	\$ 0.45	\$ 0.19
Replacement power insurance	0.04	(0.04)
Other operation and maintenance expense, including administrative and general expenses	0.13	(0.30)
Increased depreciation	(0.12)	(0.06)
Receivables write-off of one of KCP&L's major customers	0.02	(0.04)
Increased interest charges	(0.15)	(0.06)
Proposed IRS adjustment regarding corporate owned life insurance (see Note 18 to the consolidated financial statements)	0.21	(0.21)
Other	0.08	0.09
Total	\$ 0.66	\$(0.43)

KCP&L's EPS contributions in 2001 compared to 2000 and 2000 compared to 1999 were impacted significantly by the Hawthorn No. 5 boiler explosion in February 1999, the rebuild of the unit and its subsequent return to commercial operation in June 2001. One of KCP&L's major customers closed its Kansas City plant in 2001. Warmer summer weather and colder winter weather in 2000 compared to 1999, partially offset by costly purchased power during the July 1999 heat storm, resulted in increased EPS in 2000.

#### KCP&L Megawatt-hour (mwh) Sales and Electric Sales Revenues

	2001 compared to 2000		2000 compared to 1999	
	Mwh	Revenues	Mwh	Revenues
	(revenue change in millions)			
Retail Sales:				
Residential	-	\$ (3.3)	10 %	\$ 28.0
Commercial	2 %	5.6	7 %	19.2
Major industrial customer	(84) %	(22.9)	(6) %	7.5
Industrial - other	(3) %	(0.8)	1 %	0.3
Other	3 %	0.1	9 %	0.4
Total retail	(3) %	(21.3)	6 %	55.4
Sales for resale:				
Bulk power sales	116 %	35.1	(25) %	(5.6)
Other	(3) %	(0.3)	4 %	0.4
Total	9 %	13.5	2 %	50.2
Other revenues		2.0		4.4
KCP&L electric sales revenues		\$ 15.5		\$ 54.6

Excluding the impact of the loss of one of KCP&L's major industrial customers, retail revenues and mwh sales remained relatively consistent in 2001 compared to 2000. Extremely mild weather during the second half of 2001 more than offset the colder winter and warmer spring and early summer weather experienced in the first half of 2001 and continued load growth. Load growth is a result of

higher usage-per-customer and the addition of new customers. The average number of both residential and commercial customers increased about 2% in 2001 as compared to 2000. The major industrial customer declared bankruptcy on February 7, 2001 and closed its Kansas City, Missouri facilities on May 25, 2001. Less than 1% of revenues include an automatic fuel adjustment provision.

In 2000, retail revenues reached their highest level in KCP&L's history. Retail mwh sales increased in 2000 compared to 1999 primarily due to the impacts of weather and continued load growth. Although mwh sales for a major industrial customer discussed above decreased in 2000 compared to 1999, revenues increased because KCP&L was able to pass through its higher costs of fuel and purchased power under a contract with the customer.

In 1999, the MPSC approved a stipulation and agreement that called for KCP&L to reduce its annual Missouri electric revenues by 3.2%, or about \$15 million effective March 1, 1999.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. The significant increase in bulk power mwh sales in 2001 compared to 2000 was primarily attributable to the return of Hawthorn No. 5 to commercial operation in June 2001. The average price per mwh of bulk power sales decreased 7% in 2001 compared to 2000, partially offsetting the effect of the increased bulk power mwh sales on revenues.

The unavailability of Hawthorn No. 5 contributed to decreased bulk power mwh sales of 25% in 2000 compared to 1999. However, the average price per mwh of bulk power sales in 2000 increased 17% from 1999, partially offsetting the effect of lower bulk power mwh sales on revenues.

#### KCP&L Fuel and Purchased Power

Fuel costs increased \$10.7 million in 2001 compared to 2000 primarily due to a 14% increase in mwh's generated partially offset by a 9% reduction in the fuel cost per mmBtu. The increase in mwh's generated is primarily due to Hawthorn No. 5, a coal-fired unit, returning to operation in June 2001 and the impact of the scheduled 2000 outage at Wolf Creek, a nuclear unit. The additional availability of these two units in 2001 decreased the need for generation from natural gas and oil-fired units. Coal and nuclear fuel have a significantly lower cost per mmBtu than natural gas and oil.

Fuel costs increased by \$23.8 million in 2000 compared to 1999 primarily due to the addition of gas-fired generation and higher costs per mmBtu of natural gas and oil. In 2000, KCP&L added 294 megawatts of natural gas-fired generation with the completion of Hawthorn Nos. 7, 8 and 9. This increase in generation capacity replaced more expensive purchased power contracts. In addition, the price of natural gas and oil increased considerably in 2000 resulting in a \$13 million increase in 2000 fuel cost, compared to 1999.

In both 2001 and 2000, fossil plants represented about 70% of total generation and the nuclear plant about 30%. Nuclear fuel costs per mmBtu remain substantially less than the mmBtu price of coal. KCP&L expects its cost of nuclear fuel to remain fairly constant through the year 2003. KCP&L's procurement strategies continue to provide delivered coal costs below the regional average.

Purchased power expenses decreased \$40.5 million in 2001 compared to 2000 primarily due to a 38% decrease in mwh's purchased in 2001 compared to 2000. The decrease in mwh's purchased was primarily due to the increased availability of KCP&L's generating units during 2001 compared to 2000. Increased generation capacity also allowed KCP&L to reduce its cost of purchased capacity by \$7.6 million in 2001 as compared to 2000. In addition, purchased power average prices were down 4% in 2001 compared to 2000. However, the cost per mwh for purchased power is still significantly higher than the fuel cost per mwh of coal and nuclear generation.

Purchased power expenses increased \$11.0 million in 2000 compared to 1999 primarily due to the unavailability of Hawthorn No. 5 and higher customer demand. In addition, excluding the impact of the July 1999 heat storm, the cost per mwh of purchased power increased by 66% in 2000 from 1999 resulting in higher purchased power energy costs.

KCP&L Other (including operating, maintenance and general taxes) KCP&L's other expenses decreased \$17.3 million in 2001 compared to 2000 primarily due to the following:

- - replacement power insurance was not necessary for the summer months of 2001 because of the availability of Hawthorn No. 5;
- - less customer information system software consulting in 2001;
- - less advertising in 2001;
- - reduced compensation expense;
- - decreased net periodic pension cost of approximately \$5 million.

KCP&L's pension benefit accounting principles, as discussed in Note 3 to the consolidated financial statements, can result in large fluctuations in pension expenses. The fair value of the pension plan assets at December 31, 2001, decreased \$170 million from the December 31, 2000, plan year. This decrease will cause a reduction in the expected return on plan assets for 2002, which will have a \$15 million unfavorable impact on 2002 net periodic benefit cost.

KCP&L's other expenses increased \$29.9 million in 2000 compared to 1999 primarily due to the following:

- - Production expenses increased because of the cost of replacement power insurance incurred during the summer months of 2000, energy costs incurred during the test runs at Hawthorn Nos. 7, 8 and 9 and increased production training costs. Production expenses also increased due to operating and lease expenses for Hawthorn No. 6, which was placed into commercial operation in July 1999, and higher operating expenses at certain generating units. Partially offsetting this increase was a decrease in operating expenses at the Wolf Creek Generating Station, a nuclear unit.
- - Administrative and general expenses increased primarily due to increased salary expenses for implementation of system applications and increased legal costs partially offset by decreased pension expense.
- - Production maintenance expenses increased \$6.8 million in 2000 primarily due to the timing of scheduled maintenance at KCP&L's generating units.
- - Distribution expenses increased primarily due to \$3.5 million of costs incurred as a result of July and August 2000 storm damage.
- - Expenses decreased about \$4 million because of the October 1999 sale of accounts receivable to KCP&L Receivable Corporation and the resulting change in recording bad debt expenses from operating expenses - other to other income and expenses subsequent to the sale.

#### Depreciation

KCP&L's depreciation expense increased \$12.0 million in 2001 compared to 2000 primarily due to the completion of the rebuild of the Hawthorn No. 5 unit, a full year of depreciation during 2001 on the Hawthorn No. 7, 8 and 9 units that were placed in service mid-2000 and depreciation on computer software capitalized during 2001. In addition, in the fourth quarter of 2001, KCP&L began depreciating the Hawthorn No. 6 combustion turbine unit after paying \$40.8 million to exercise its purchase option under the previous lease agreement.

#### KCP&L Interest Charges

KCP&L's interest charges increased \$15.3 million in 2001 compared to 2000 primarily because of an increase in long-term debt interest expense and a decrease in the allowance for borrowed funds used during construction, partially offset by a decrease in short-term debt interest expense. KCP&L's

interest charges increased \$6.4 million in 2000 compared to 1999 primarily because of increased long-term and short-term debt interest expense partially offset by increased allowance for borrowed funds used during construction.

#### Long-term debt

KCP&L's long-term debt interest expense increased \$12.3 million in 2001 compared to 2000 reflecting higher average levels of outstanding long-term debt, partially offset by the impact of decreases in variable interest rates. The higher average levels of debt primarily reflect the issuances of long-term debt in 2000 and \$150 million of unsecured, fixed-rate senior notes issued in November 2001, partially offset by \$80.0 million of scheduled debt repayments.

KCP&L's long-term debt interest expense increased \$7.9 million in 2000 compared to 1999 reflecting higher average levels of outstanding long-term debt and higher average interest rates on variable rate debt. The higher average levels of debt primarily reflected the \$200 million of unsecured, floating rate medium-term notes issued in March 2000 and the \$250 million of unsecured fixed-rate senior notes issued in December 2000, partially offset by \$52.5 million of scheduled debt repayments.

#### Capitalized interest

Allowance for borrowed funds used during construction decreased \$3.0 million in 2001 compared to 2000 because of decreased construction work in progress due primarily to the completion of the Hawthorn No. 5 rebuild. Allowance for borrowed funds used during construction increased \$8.8 million in 2000 compared to 1999 because of increased construction work in progress, primarily due to the rebuild of Hawthorn No. 5.

#### Short-term debt

Interest expense on short-term debt decreased \$2.2 million in 2001 compared to 2000 primarily due to lower interest rates on commercial paper, partially offset by higher average levels of outstanding commercial paper during 2001 compared to 2000. KCP&L had \$62.0 million of commercial paper outstanding at December 31, 2001.

Short-term debt interest expense increased \$7.9 million in 2000 compared to 1999 reflecting higher average levels of outstanding short-term debt. KCP&L primarily used the proceeds from the 2000 issuance of senior notes to reduce the outstanding commercial paper to \$55.6 million at December 31, 2000.

#### Wolf Creek

Wolf Creek represents about 15% of KCP&L's generating capacity. The plant's operating performance has remained strong over the last three years, contributing about 29% of KCP&L's annual mwh generation while operating at an average capacity of 93%. Wolf Creek has the lowest fuel cost per mMBtu 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's next refueling and maintenance outage is scheduled for the spring of 2002 and is estimated to be a 30-day outage.

The American Institute of Certified Public Accountants (AICPA) has issued a proposed Statement of Position, "Accounting for Certain Costs and Activities Related to Property, Plant and Equipment." This proposed statement would prohibit the accrual of KCP&L's cost associated with Wolf Creek's refueling and maintenance outages. However, as long as KCP&L is regulated under SFAS No. 71, management believes that KCP&L will be able to continue to accrue the costs evenly over the unit's operating cycle. If SFAS No. 71 were not applicable and the AICPA issued such guidance, KCP&L

would be required to recognize costs associated with the refueling and maintenance as incurred. This treatment would add volatility to KCP&L's results of operations due to the 18-month refueling cycle.

Wolf Creek's assets represent about 34% of KCP&L's assets and its operating expenses represent about 19% of KCP&L's operating expenses. An extended shut-down of Wolf Creek could have a substantial adverse effect on KCP&L's business, financial condition and results of operations because of higher replacement power and other costs. Although not expected, the NRC could impose an unscheduled plant shut-down, reacting to safety concerns at the plant or other similar nuclear units. If a long-term shut-down occurred, the state regulatory commissions could reduce rates by excluding the Wolf Creek investment from rate base.

There has been significant opposition to, 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 December 31, 2001. 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 Notes 1 and 6 to the consolidated financial statements.

#### Hawthorn No. 5

On June 20, 2001, Hawthorn No. 5 was returned to commercial operation. The coal-fired unit has a capacity of 575 megawatts and was rebuilt following a February 1999 explosion that destroyed the boiler. Hawthorn No. 5 has been recognized nationally, in the National Energy Policy Report sent to President Bush for its use of best available pollution control technology. Under KCP&L's property insurance coverage, KCP&L received an additional \$30 million in insurance recoveries in 2001, increasing the total insurance recoveries received to date to \$160 million. The recoveries have been recorded as an increase in accumulated depreciation on the consolidated balance sheet. Expenditures, excluding capitalized interest, for rebuilding Hawthorn No. 5 were \$35.6 million in 1999, \$207.6 million in 2000, and \$72.9 million in 2001. These amounts do not reflect insurance proceeds received to date or future proceeds to be received.

#### KCP&L Projected Construction Expenditures

Total utility capital expenditures, excluding allowance for funds used during construction, were \$262.0 million in 2001. The utility construction expenditures are projected for the next five years as follows:

	Projected Construction Expenditures					Total
	2002	2003	2004	2005	2006	
	(millions)					
Generating facilities	\$ 37	\$ 31	\$ 32	\$ 25	\$ 23	\$ 148
Nuclear fuel	1	21	21	-	22	65
Distribution and transmission facilities	82	83	85	75	87	412
General facilities	18	10	10	11	10	59
Total	\$ 138	\$ 145	\$ 148	\$ 111	\$ 142	\$ 684

This construction expenditure plan is subject to continual review and change.

Peaking capacity totaling 385 megawatts is being added pursuant to a \$200 million construction and operating lease transaction.



#### January 2002 Ice Storm

At the end of January 2002, the most damaging ice storm in Kansas City history caused roughly 285,000 customer outages throughout the KCP&L service territory. Currently, KCP&L does not have an estimate of the cost of the 2002 storm and has not determined how it will account for the costs. The cost to repair damage from the storm is expected to substantially exceed the \$13 million incurred because of the 1996 snowstorm. The 2002 storm compared to the 1996 storm had 100,000 more customers out of service, took longer to return service to all of the affected customers and utilized twice the number of outside crews.

#### HSS Operations

HSS, an unregulated subsidiary of KCP&L, holds investments in businesses primarily in residential services. HSS is comprised of two subsidiaries, RSAE and Worry Free Services, Inc.

In 2001, HSS increased its ownership in RSAE, a consumer services company headquartered in Atlanta, Georgia, from 49% to 72%. Accordingly, HSS changed its method of accounting for RSAE from the equity method to consolidation. As a result, HSS includes RSAE's assets and liabilities including goodwill incurred by RSAE in its financial statements. Management currently does not anticipate the January 1, 2002, adoption of SFAS No. 142, "Goodwill and Other Intangible Assets" will require an impairment of the \$23.0 million recorded goodwill at December 31, 2001. However, a decline in the fair value of RSAE's net assets would cause an impairment of goodwill and HSS would have to write-off the amount of goodwill impaired. Worry Free Service, Inc., a wholly owned subsidiary of HSS, assists residential customers in obtaining financing primarily for heating and air conditioning equipment.

KCP&L's investment in HSS was \$46.9 million at December 31, 2001, and \$46.3 million at December 31, 2000. During 2001, HSS' loss decreased to \$5.6 million (\$0.09 per share) from \$13.5 million (\$0.22 per share) in 2000. HSS' loss in 1999 was \$3.7 million (\$0.06 per share). HSS' decreased loss in 2001 compared to 2000 was primarily due to a \$12.2 million write-down of its investment in RSAE during 2000. Through December 31, 2001, KCP&L's accumulated losses were \$23.6 million on its investment in HSS. Due to its consolidation of RSAE beginning in 2001, HSS' consolidated assets increased to \$53.9 million at December 31, 2001, from \$25.3 million at December 31, 2000.

During 2001, HSS recorded a \$7.2 million loss from its investment in RSAE resulting in a negative investment. The minority interest in RSAE has been reduced to zero as a result of these losses. Accordingly, as long as RSAE is consolidated, any future losses by RSAE will be recorded in HSS' income statement at 100% which will further decrease the investment below zero.

HSS has loaned RSAE \$1.3 million (\$0.3 million in December 2001 and \$1.0 million in January 2002). RSAE used the proceeds to fund operations. HSS expects repayment from RSAE during the first quarter of 2002 when RSAE obtains additional third party financing. Currently, RSAE has \$20.4 million outstanding of third party financing which is supported by Great Plains Energy through an agreement that ensures adequate capital to operate RSAE.

#### KLT Inc. Operations

##### KLT Inc. Business Overview

KLT Inc. is an unregulated subsidiary that pursues energy-related ventures in higher growth businesses. Existing ventures include natural gas development and production, energy services and affordable housing limited partnerships. The Company's cash investment in KLT Inc. was \$150.0 million at December 31, 2001, and \$119.0 million at December 31, 2000.

#### Natural Gas Development and Production - KLT Gas

KLT Gas' business strategy is to acquire and develop early stage coalbed methane properties. KLT Gas believes that coalbed methane production provides an economically attractive alternative source of supply to meet the growing demand for natural gas in North America and has built a knowledge base in coalbed methane production and reserves evaluation. Therefore, KLT Gas focuses on coalbed methane a niche in the natural gas industry where it believes its expertise provides a competitive advantage. Because it has a longer, predictable reserve life and lower development cost, coalbed methane is inherently lower risk than conventional gas exploration.

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

KLT Gas' properties are located in Colorado, Texas, Wyoming, Kansas, and Nebraska. These leased properties cover approximately 220,000 undeveloped acres. The development of this acreage is in accordance with KLT Gas' exploration plan and capital budget. KLT Gas estimates capital expenditures of about \$37 million, \$42 million, \$38 million and \$20 million for the years 2002 through 2005, respectively. The timing of the development may vary from current plans based upon obtaining the required environmental and regulatory approvals and permits.

#### Energy Management Service - Strategic Energy

Strategic Energy is an energy management services provider that operates in several deregulated electricity markets, including Pennsylvania, southern California, Ohio, New York, Massachusetts and Texas. In 2001, KLT Energy Services exchanged with an energy services company preferred stock of \$4.7 million in that company for additional ownership in Strategic Energy. This transaction increased KLT Energy Services ownership of Strategic Energy from 72% to 83%.

Strategic Energy acts as an energy manager in deregulated markets on behalf of approximately 19,500 commercial and small manufacturing accounts. One to five year contracts are entered into with customers to supply and manage their energy needs. In return, they receive an ongoing management fee plus the contracted price for the electricity and natural gas. Natural gas retail service was phased out in the fourth quarter of 2001.

Strategic Energy is exposed to credit risk arising from counterparties from whom it purchases physical commodities, as unrealized gains or losses may accrue in physical contracts if a supplier is unable to fulfill its obligations. Strategic Energy manages counterparty credit risk exposure through a disciplined risk management policy.

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. Supplying electricity to retail customers under fixed rate contracts requires Strategic Energy to match customers' demand with fixed price purchases. In certain markets where Strategic Energy operates, there is limited availability of forward fixed price power contracts. 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, 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 comprehensive income(loss). At December 31, 2001, the accumulated comprehensive loss, net of income taxes and minority interest, reflected in Great Plains Energy's consolidated statement of capitalization reflected a \$11.7 million loss related to such cash flow hedges. However, most 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 incurring any of the losses represented in comprehensive income.

Strategic Energy's customer base is very diverse. Customers include numerous Fortune 500 companies, school districts, and governmental entities. Based on current signed contracts and expected usage, Strategic Energy forecasts a peak load of 2,268 megawatts. The largest concentration of the forecasted load, 817 megawatts, is in southern California.

#### Subsidiary of KLT Telecom Files for Bankruptcy - DTI

The accounting treatment related to DTI and its bankruptcy is complex and is addressed in note 17 to the consolidated financial statements; consequently, note 17 in its entirety is incorporated by reference in this portion of management's discussion and analysis and should be read as a component of this discussion.

In 1997, KLT Telecom originally purchased, for \$45 million, a 47% equity ownership of DTI, a facilities-based, telecommunications company headquartered in St. Louis. DTI's operating losses reduced this original equity investment to zero by June 2000. In February 2001, KLT Telecom made an additional \$40 million investment in DTI, increasing its ownership to 83.6% and a \$94 million loan to DTI Holdings. In February 2001, KLT Telecom also made a commitment to obtain or arrange a \$75 million revolving credit facility for Digital Teleport Inc. KLT Telecom loaned Digital Teleport Inc. \$47 million during 2001 under this and other arrangements. DTI intended to refinance part of these loans. However, a new senior credit facility from bank lenders was not possible due to, among other things, the downturn in the telecommunications industry.

Starting in the second quarter of 2001, DTI conserved cash by more narrowly focusing its strategy to providing connectivity in secondary and tertiary markets in a five state region. DTI actively explored its strategic alternatives including a merger, sale of assets and all other types of recapitalization including bankruptcy. DTI originally thought that the industry downturn would be only temporary. However, during the fourth quarter the combination of a lack of additional financing, continued decline of the telecommunication industry, and the cash requirements of maintaining its long-haul assets resulted in DTI making the decision to abandon its long-haul assets and file for reorganization under Chapter 11 of the U.S. Bankruptcy Code on December 31, 2001.

Because of the bankruptcy, a \$195.8 million net write-off is included in (Gain) Loss on Property in operating expenses on Great Plains Energy's Consolidated Statement of Income. A corresponding tax benefit of \$55.8 million is included in income taxes. The net impact of the bankruptcy to income is a \$140.0 million (\$2.27 per share) reduction.

Income taxes reported for 2001 do not reflect the entire effect of the net write-off because of the uncertainty of recognizing future tax deductions while in the bankruptcy process. If additional DTI assets are abandoned or sold during the bankruptcy process, or additional tax losses not already reflected are incurred by DTI, future tax benefits will be recorded.

## KLT Inc. Earnings Overview

The following table and discussion highlight significant factors affecting KLT Inc.'s effect on consolidated EPS for the years ended 2001, 2000 and 1999.

	2001	2000	1999
KLT Inc. EPS summary			
Strategic Energy	\$ 0.35	\$ 0.09	\$ 0.03
DTI			
Operations subsequent to 2/8/01	(0.54)	-	-
Gain on early extinguishment of debt and equity losses prior to majority ownership	0.26	(0.14)	(0.24)
KLT Gas			
Operations	0.04	0.18	0.05
Sale of gas properties	0.19	1.10	-
KLT Investments	0.11	0.22	0.20
Other	(0.02)	(0.09)	(0.06)
KLT Inc. before net write-off of investment in DTI	0.39	1.36	(0.02)
Net write-off of investment in DTI	(2.27)	-	-
KLT Inc. EPS	\$ (1.88)	\$ 1.36	\$ (0.02)

### Strategic Energy

Strategic Energy's increase in earnings per share for 2001 compared to 2000 is due to continued strong growth in its electric energy management business and a significant increase over the prior year in wholesale bulk power sales, which have a considerably higher gross margin (revenues less cost of energy supplied) than Strategic Energy's retail electric sales.

### KLT Gas

During 2001, KLT Gas sold its 50% equity ownership in Patrick KLT Gas, LLC for \$42.3 million, resulting in an after tax gain of \$12.0 million (\$0.19 per share). During 2000, KLT Gas sold producing natural gas properties for \$237.2 million, resulting in an after tax gain of \$68.0 million (\$1.10 per share).

### KLT Investments

During 2001, KLT Investments recorded a reduction to its investments in affordable housing limited partnerships of \$13.5 million before taxes (\$0.14 per share). The reduction for 2000 was \$2.4 million before taxes (\$0.02 per share).

### Other

During 2001, KLT Energy Services recorded a write-off of its \$6.2 million (\$0.06 per share) investment in the common stock of Bracknell Corporation due to a decline in its share price and the bankruptcy filing of one of Bracknell Corporation's subsidiaries. In 2000, KLT Inc. realized losses on its investment in CellNet Data Systems Inc. of \$4.8 million before taxes (\$0.05 per share).

KLT Inc. Revenues

	2001 compared to 2000	2000 compared to 1999
	(millions)	
DTI	\$ 15.9	\$ -
Strategic Energy		
Electric - Retail	255.9	57.4
Electric - Bulk Power Sales	30.4	52.3
Gas	(4.0)	19.9
KLT Gas	(30.2)	13.2
Other	0.1	(3.5)
Total	\$ 268.1	\$ 139.3

Strategic Energy's retail revenues increased in 2001 compared to 2000 due to continued strong growth in its electric energy management business. Strategic Energy currently serves approximately 19,500 commercial and small manufacturing accounts, an increase of about 12,500 accounts from the beginning of 2001. In addition, based on current signed contracts and expected usage, Strategic Energy forecasts a peak load of 2,268 megawatts compared to a peak load of 1,300 megawatts in 2001 and a peak load of 400 megawatts in 2000.

Strategic Energy's bulk power sales revenues increased in 2001 compared to 2000 due to large block sales of power purchased under an option to purchase up to 270 megawatts of power at \$21 per mwh through the end of 2001. Strategic Energy also purchases energy in the wholesale markets to meet its customers' energy needs. On occasion, Strategic Energy must purchase small blocks of power prior to the sales contract in order to quote stable pricing to potential new customers. Power purchased in excess of retail sales is sold in the wholesale markets.

Strategic Energy's retail, bulk power sales, and gas revenues increased in 2000 compared to 1999 due to KLT Energy Services increasing its ownership interest in Strategic Energy to 72% (69% of the voting interest) during 2000, from a 56% ownership interest (49% of the voting interest) during 1999. Thus, KLT Energy Services reported Strategic Energy on a consolidated basis for 2000, in contrast to reporting Strategic Energy as an equity method investment for 1999.

KLT Gas revenues decreased in 2001 compared to 2000 primarily due to the sale of producing natural gas properties in the third and fourth quarters of 2000 and the effect of gas hedging activities. KLT Gas unwound the majority of its gas hedge derivatives with an offsetting swap transaction during the second quarter of 2001. The fair market value of the swap has been recorded in gas revenues. KLT Gas revenues increased in 2000 compared to 1999 primarily due to higher production levels in 2000 and higher average prices for natural gas sold.

Gains and Losses on Property

KLT Inc.'s loss on property for 2001 includes the \$195.8 million DTI bankruptcy net write-off, partially offset by a \$20.1 million before tax gain on KLT Gas' sale of its 50% equity ownership in Patrick KLT Gas, LLC. KLT Inc.'s gain on property for 2000 includes a \$110.6 million before tax gain on KLT Gas' sale of producing natural gas properties.

Other Income and Expenses

The unfavorable changes in other income and expenses for 2001 compared to 2000 were primarily due to KLT Investments Inc.'s \$13.5 million reduction in affordable housing limited partnerships and KLT Energy Service's \$6.2 million write-off of an investment in the common stock of Bracknell Corporation. The unfavorable changes in other income and expenses for 2000 compared to 1999 were primarily due

to minority interests in Strategic Energy recorded in 2000 of \$4.4 million when KLT Energy Services began consolidating Strategic Energy in 2000 and \$4.8 million of realized losses on the write-off of an investment in CellNet Data Systems Inc. These decreases were partially offset by an increase in interest and dividend income of \$4.2 million and unrealized gains of \$3.8 million on trading securities acquired in 2000.

#### KLT Inc. Taxes

KLT Inc. income taxes for 2001 include a \$55.8 million tax benefit from the net write-off of its investment in DTI and accrued tax credits of \$25.1 million related to investments in affordable housing limited partnerships and natural gas properties. KLT Inc.'s income taxes increased in 2000 compared to 1999 primarily because of \$42.6 million in income tax expense incurred by KLT Gas on the gain from the sale of natural gas producing properties, partially offset by accrued tax credits of \$26.7 million related to investments in affordable housing limited partnerships and natural gas properties.

#### Great Plains Power Operations

GPP will focus on developing and acquiring fossil fuel-fired electric generation in the central part of the U.S. GPP announced an agreement with the boiler and air quality control equipment vendor and construction firm, Babcock and Wilcox, and the design and engineering firm, Burns and McDonnell, to conduct the design and development study for a coal-fired plant. This is the same team that rebuilt Hawthorn No. 5.

#### Other Consolidated Discussion

##### Significant Balance Sheet Changes

(December 31, 2001 compared to December 31, 2000)

- Great Plains Energy receivables increased \$36.8 million primarily due to the strong growth in Strategic Energy's electric energy management business partially offset by the decrease in KCP&L receivables because of the mild winter and sale of an additional \$10.0 million of receivables pursuant to its existing revolving accounts receivable sale agreement. KCP&L receivables also decreased because of the effects of the formation of the holding company through which KCP&L divested its ownership of KLT Inc. to Great Plains Energy.
- Great Plains Energy and consolidated KCP&L equity securities decreased \$18.6 million primarily due to KLT Gas' sale of \$12.3 million of stock in Evergreen Resources, Inc. and the write-off of an equity security that KLT Energy Services held.
- Great Plains Energy current income taxes reflects the tax benefit from the write-down of KLT Inc.'s investment in DTI.
- Great Plains Energy affordable housing limited partnerships decreased \$17.0 million due to a reduction of KLT's investments in affordable housing limited partnerships. Consolidated KCP&L decreased because of the formation of the holding company.
- Great Plains Energy gas property and investments decreased \$4.3 million primarily due to KLT Gas' sale of its 50% equity ownership in Patrick KLT Gas, LLC partially offset by additions to gas property. Consolidated KCP&L decreased because of the formation of the holding company.
- Great Plains Energy other nonutility property and investments decreased \$17.1 million due to the sale by KLT Inc. of various other investments and the exchange of \$4.7 million preferred stock in an energy services company for an additional ownership in Strategic Energy. Consolidated KCP&L also decreased because of the formation of the holding company.
- Great Plains Energy and consolidated KCP&L combined electric utility plant and construction work in progress increased \$241.4 million primarily due to expenditures and capitalized interest of \$83.3 million at Hawthorn No. 5 to rebuild the boiler and \$191.6 million for other utility capital

expenditures. The completion of rebuilding the boiler at Hawthorn No. 5 resulted in a transfer of \$337.0 million from construction work in progress to electric plant.

- Great Plains Energy and consolidated KCP&L prepaid pension costs increased \$20.0 million due to negative pension expense.
- Great Plains Energy goodwill increased because HSS increased its ownership and began consolidating RSAE. For consolidated KCP&L, this increase was partially offset by the decrease caused by the formation of the holding company.
- Great Plains Energy and consolidated KCP&L other deferred charges increased \$19.3 million primarily due to an \$18.3 million intangible pension asset recorded by KCP&L due to a significant decline in the market value of pension plan assets.
- Great Plains Energy notes payable of \$144.4 million includes \$124.0 million relating to short-term notes held by Great Plains Energy for a bridge credit facility and \$20.4 million related to the consolidation of RSAE.
- Great Plains Energy and KCP&L current maturities of long-term debt increased primarily because of a \$227.0 million increase in the current portion of KCP&L's medium-term notes offset by \$80.0 million of maturing medium-term notes.
- Great Plains Energy other current liabilities increased primarily because of accruing for Strategic Energy derivatives.
- Great Plains Energy other deferred credits increased \$50.2 million due to \$11.8 million of Strategic Energy's long term derivatives, \$20.6 million of KLT Telecom's negative investment related to the DTI bankruptcy (see note 17) and \$20.0 million minimum pension liability recorded by KCP&L due to a significant decline in the market value of pension plan assets.

#### Capital Requirements and Liquidity

Great Plains Energy is a holding company that 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 or proceeds from the sale of its securities.

Great Plains Energy's liquid resources at December 31, 2001, included cash flows from operations of subsidiaries and \$139.3 million of unused bank lines of credit. The unused lines consisted of \$134.0 million from KCP&L's short-term bank lines of credit, \$0.3 million from RSAE's bank credit agreement, and \$5.0 million from Great Plains Energy's bridge credit facility.

KLT Inc.'s bank credit agreement balance of \$99.5 million was repaid October 3, 2001, with proceeds from Great Plains Energy's \$129 million bridge credit facility which terminates on February 28, 2002. Great Plains Energy is currently negotiating a 364-day revolving credit facility with a group of banks to replace the bridge facility. The new facility will be for up to \$225 million and will be used for general corporate purposes. Both the bridge facility and the new facility contain a Material Adverse Change (MAC) clause that requires Great Plains Energy to represent, prior to receiving any funding, that no MAC has occurred. Great Plains Energy's available liquidity under both facilities is not impacted by a decline in credit ratings unless the downgrade occurs in the context of a merger, consolidation or sale.

KCP&L's primary sources of liquidity are cash flows from operations and bilateral credit lines with ten banks (as of December 31, 2001). KCP&L uses these lines to provide support for its issuance of commercial paper, \$62.0 million of which was outstanding at the end of 2001. These bank facilities are each for a 364-day term and mature at various times throughout the year. With two exceptions, KCP&L does not have MAC clauses in these agreements. In those cases, KCP&L is required to represent, as a condition to renewing the facilities, that no MAC has occurred from the most recent quarter-end to the closing date of the renewal. In these instances, a MAC subsequent to closing does not impact available liquidity for the remaining term of the renewed facility. 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.

Great Plains Energy's consolidated statements of cash flows include consolidated KCP&L, KLT Inc. and GPP. KCP&L's consolidated statements of cash flows include its wholly owned subsidiary HSS. In addition, KCP&L's consolidated statements of cash flows include KLT Inc. and GPP for all the periods prior to the October 1, 2001 formation of the holding company. The presentation of prior years statements of cash flows for Great Plains Energy is provided for comparative purposes and is identical to the statements of cash flows for consolidated KCP&L, prior to the formation of the holding company, presented for those years. The effect of DTI on the statements of cash flows is detailed in Note 2 to the consolidated financial statements.

Great Plains Energy and consolidated KCP&L generated positive cash flows from operating activities for 2001. The increase for Great Plains Energy and consolidated KCP&L over 2000 is directly attributable to increased net income before non-cash expenses. The increased net income before non-cash expenses was partially offset by 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. Cash from operating activities increased in 2000 from 1999 primarily due to changes in certain working capital items. In addition, the buyout of a fuel contract; the refund of amounts accrued for the Kansas rate refunds; and a payment of \$19 million to the IRS to settle certain outstanding issues decreased cash flows from operating activities in 1999. Partially offsetting these changes for 2000, net income before non-cash expenses decreased.

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. With KCP&L's 2001 completion of the rebuild of Hawthorn No. 5, utility capital expenditures decreased \$139.0 million and the allowance for borrowed funds used during construction decreased \$3.0 million. Cash used for purchases of investments and nonutility property in 2001 compared to 2000 increased primarily reflecting KLT Telecom's investments in DTI and DTI purchases of telecommunications property, partially offset by KLT Gas' investments in gas properties during 2000. Proceeds from the sale of properties decreased significantly because the proceeds from the sale of KLT Gas properties in 2000 more than offset the 2001 sale. Cash used for investing activities increased in 2000 compared to 1999 reflecting increased utility capital expenditures for construction projects at the Hawthorn generating station, increased purchases by KLT Gas of natural gas investments and KLT Energy Services' exercise of its option to acquire common stock of a publicly-traded company. Proceeds from the sales of KLT Gas properties reduced cash used for investing activities in 2000.

Cash from Great Plains Energy financing activities increased in 2001 compared to 2000 primarily because short-term borrowings increased \$140.7 million in 2001 compared to a \$183.1 million decrease in 2000. However, this change in short-term borrowings was partially offset by a decrease in long-term debt issuances, net of repayments. Cash from consolidated KCP&L financing activities increased similarly, but exclude the repayment of KLT Inc.'s bank credit agreement and the increase in short term borrowings for the Great Plains Energy bridge loan discussed above. KCP&L issued \$150 million of unsecured senior notes in November 2001. Cash from financing activities increased in 2000 primarily because KCP&L issued \$200 million of unsecured medium-term notes and \$250 million of unsecured senior notes in 2000. KLT Gas borrowed \$51 million on a new bank credit agreement and repaid the amount in full in 2000. Also, KCP&L's scheduled debt repayments were about \$17 million lower in 2000 than in 1999. Furthermore, KCP&L's short-term borrowings increased in 2000. However, the increase was more than offset by the repayment with proceeds from the unsecured note issuances. Partially offsetting these increases, KLT Inc. repaid borrowings on its bank credit agreement, which was \$61.0 million at December 31, 1999, with proceeds from the sales of KLT Gas properties.



The Company's common dividend payout ratio was 104% (excluding the extraordinary item and the DTI net write-off) in 2001, 81% (excluding the cumulative effect of changes in accounting principles) in 2000, and 132% in 1999. See the Earnings Overview sections for discussion of significant factors impacting EPS in 2001, 2000 and 1999.

KCP&L expects to meet day-to-day operations, 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, refinancings and/or short-term debt. The Company may issue additional debt and/or additional equity to finance growth or take advantage of new opportunities.

As reflected in the contractual obligations tables below, consolidated KCP&L has \$227.4 million of long-term debt maturing in 2002. Consolidated KCP&L plans to register up to \$450 million during the first quarter of 2002, a portion of which is expected to be issued to refinance its current maturities. Any proceeds from additional issuances may be used to refinance other debt securities or for general corporate purposes.

#### Supplemental Capital Requirements and Liquidity Information

The following information is provided to summarize cash obligations and commercial commitments.

Great Plains Energy Contractual Cash Obligations	Payments Due by Period				
	Total	2002	2003 - 2004 (millions)	2005 - 2006	After 2006
Long-term debt, including current maturities (c)	\$1,195.6	\$ 238.8	\$ 91.3	\$ 304.0	\$ 561.5
Lease obligations (a)	244.0	22.7	51.3	49.6	120.4
Other long-term obligations, net (b)	1,180.2	436.8	473.9	185.6	83.9
Total contractual obligations	\$2,619.8	\$ 698.3	\$ 616.5	\$ 539.2	\$ 765.8

Consolidated KCP&L Contractual Cash Obligations	Payments Due by Period				
	Total	2002	2003 - 2004 (millions)	2005 - 2006	After 2006
Long-term debt, including current maturities (c)	\$1,164.5	\$ 227.4	\$ 77.3	\$ 299.1	\$ 560.7
Lease obligations (a)	239.8	21.5	49.9	48.8	119.6
Other long-term obligations, net (b)	265.2	70.5	84.5	26.3	83.9
Total contractual obligations	\$1,669.5	\$ 319.4	\$ 211.7	\$ 374.2	\$ 764.2

- (a) Includes capital and operating lease obligations; capital lease obligations are not material. Also includes leases for railcars to serve jointly-owned generating units where KCP&L is the managing partner. KCP&L will be reimbursed by the other owners for about \$1.9 million per year (\$27.0 million total). Excludes commitment to either purchase leased combustion turbines at termination of the construction leasing arrangement for a price equal to amounts expended by the Lessor or sell the turbines on behalf of the Lessor while guaranteeing the Lessor's receipt of an amount equal to 83.21% of amounts expended.
- (b) Includes commitments for KCP&L's share under contracts for acquisition of coal, natural gas, and nuclear fuel including \$3.4 million DOE assessment; net capacity purchases and sales for KCP&L. Great Plains Energy also includes Strategic Energy's purchased power commitments.
- (c) Excludes \$0.7 million discount on senior notes. EIRR bonds classified as current liabilities of \$106.5 million due 2015 and \$81 million due 2017 are included here on their final due date. (See note 13 to the



Other Commercial Commitments Outstanding	Amount of commitment expiration per period				
	Total	2002	2003 - 2004	2005 - 2006	After 2006
	(millions)				
Consolidated KCP&L Guarantees	\$ 14.7	\$ 1.8	\$ 3.6	\$ 3.4	\$ 5.9
Great Plains Energy Guarantees, including consolidated KCP&L	\$247.1	\$190.6	\$ 3.6	\$ 3.4	\$ 49.5

KLT Inc. has provided \$195.7 million of guarantees to support Strategic Energy power purchases and regulatory requirements. Strategic Energy's power supply contracts are up to 5 years with an average duration of 2.7 years. As of December 31, 2001, KLT Inc.'s guarantees related to Strategic Energy are as follows:

- Direct guarantees to counterparties totaling \$63.4 million, with varying expiration dates
- Guarantees to the issuers of surety bonds totaling \$110.0 million, all of which expire in 2002
- Guarantees related to Letters of Credit totaling \$22.3 million, all of which expire in 2002

KLT Inc. has guaranteed a construction performance bond of \$14.7 million of a contractor. RSAE has a \$22 million line of credit with a commercial bank, which Great Plains Energy supports through an agreement that ensures adequate capital to operate RSAE. KCP&L is contingently liable for guaranteed energy savings under agreements with several customers. KCP&L has entered agreements guaranteeing an aggregate value of approximately \$14.7 million over the next nine years. In most cases a subcontractor would indemnify KCP&L for any payments made by KCP&L under these guarantees.

In 1999, KCP&L entered into a revolving agreement to sell all of its right, title and interest in the majority of its customer accounts receivable to KCP&L Receivable Corporation, a special purpose entity established to purchase customer accounts receivable from KCP&L expiring in October 2002. The Company expects the agreement to be renewed annually. KCP&L Receivable Corporation has sold receivable interests to outside investors. In consideration of the sale, KCP&L received \$60 million in cash in 2000 increasing to \$70 million in 2001 and the remaining balance in the form of a subordinated note from KCP&L Receivable Corporation. The agreement is structured as a true sale under which the creditors of KCP&L Receivable Corporation will be entitled to be satisfied out of the assets of KCP&L Receivable Corporation prior to any value being returned to KCP&L or its creditors. Accounts receivable sold to KCP&L Receivables Corporation under the agreement totaled \$95.7 million at December 31, 2001, and \$108.2 million at December 31, 2000.

Administrative costs associated with the sale of customer accounts receivable of approximately \$2.7 million for the year ended December 31, 2001, approximately \$4.3 million for the year ended 2000 and approximately \$3.5 million for the year ended 1999, were included in Other income and expenses.

#### Recent Accounting Pronouncements

In 2001, the FASB issued SFAS No.142, "Goodwill and Other Intangible Assets", which the Company adopted January 1, 2002, and SFAS No. 143, "Accounting for Asset Retirement Obligations", which the Company will adopt January 1, 2003. Management currently does not anticipate that the adoption of these statements will have a material impact on the Company's results of operations. See notes 10 and 1 to the consolidated financial statements for additional discussion regarding SFAS No. 142 and SFAS No. 143, respectively.

#### Environmental Matters

The Company's operations comply with federal, state and local environmental laws and regulations. The generation and transmission of electricity produces and requires disposal of certain products and by-products, including PCBs, asbestos and other hazardous materials. The Superfund law imposes strict joint and several liability for those who generate, transport or deposit hazardous waste. In addition, the current owner of contaminated property, as well as prior owners since the time of contamination, may be liable for cleanup costs.

Environmental audits are conducted to detect contamination and ensure compliance with governmental regulations. However, compliance programs need to meet new and future environmental laws, as well as regulations governing water and air quality, including carbon dioxide emissions, nitrogen oxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields. Therefore, compliance programs could require substantial changes to operations or facilities (see Note 6 to the consolidated financial statements).

## ITEM 7A. 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.

### Commodity Risk

KCP&L and Strategic Energy engage in the wholesale and retail marketing of electricity, and accordingly, are exposed to risk associated with the price of electricity.

KCP&L's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity and long, intermediate and short-term capacity/energy contracts. KCP&L maintains a reserve margin of at least 12% of its peak summer demand. This net positive supply of capacity and energy is maintained through its generation assets and capacity and power purchase agreements to protect it from the potential operational failure of one of its owned or contracted power generating units. The agreements contain penalties for non-performance to protect KCP&L from energy price risk on the contracted energy. KCP&L also enters into additional power purchase agreements with the objective of obtaining the most economical energy to meet its physical delivery obligations to its customers. KCP&L continually evaluates the need for additional risk mitigation measures in order to minimize its financial exposure to, among other things, spikes in wholesale power prices during periods of high demand.

KCP&L's sales include the regulated sales of electricity to its retail customers and unregulated bulk power sales of electricity in the wholesale market. KCP&L continually evaluates its system requirements, the availability of generating units, availability and cost of fuel supply, the availability and cost of purchased power and the requirements of other electric systems; therefore, the impact of the hypothetical amounts that follow could be significantly reduced depending on the system and market prices at the time of the increases. Almost 60% of KCP&L's generating capacity is coal-fired. A hypothetical 10% increase in the market price of coal could have resulted in a \$1.5 million decrease in pretax earnings for 2001. KCP&L currently has approximately 95% of its coal requirements for 2002 under contract. Approximately 40% of the amounts under contract are subject to the market price of coal. A hypothetical 10% increase in the cost of purchased power could have resulted in a \$6.5 million decrease in pretax earnings for 2001. A hypothetical 10% increase in natural gas and oil market prices could have resulted in a \$2.9 million decrease in pretax earnings for 2001. KCP&L has implemented price risk mitigation measures to reduce its exposure to high natural gas prices. Slightly over 50% of its projected total oil and natural gas requirements for 2002 are price protected through its hedging program.

Strategic Energy aggregates retail customers into economic purchasing pools, develops predictive load models for the pools and then builds a portfolio of suppliers to provide the pools with reliable power at the lowest possible cost. Strategic Energy has entered into significant supply contracts with dispatchable and firm power agreements through the year 2005 and into 2006 that mitigate most of the commodity risk associated with its power supply coordination services. 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. Supplying electricity to retail customers under fixed rate contracts requires Strategic Energy to match customers' demand with fixed price purchases. In certain markets where Strategic Energy operates, there is limited availability of forward fixed price power contracts. 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.



KLT Gas is exposed to commodity price risk on the natural gas it produces. Financial hedge instruments can be used to mitigate its exposure to market price fluctuations on approximately 85% of its daily gas sales in accordance with its risk management policy. Currently, KLT Gas is producing an insignificant volume of gas and the price risk is minimal. Because of a reduction in production during 2001, KLT Gas unwound all hedged positions.

Management has determined that KCP&L and Strategic Energy are not "trading organizations" under EITF 98-10 based on their business philosophy, performance measurement and other management activities. If considered "trading organizations", KCP&L and Strategic Energy would be required to record energy transactions at fair value. Commitments to purchase and sell energy and energy-related products except for derivatives that qualify as cash flow hedges are currently carried at cost. KCP&L and Strategic Energy report the revenue and expense associated with all energy contracts at the time the underlying physical transaction closes consistent with industry practice and the business philosophy of generating/purchasing and delivering physical power to customers.

#### Interest Rate Risk

Great Plains Energy manages interest expense and short and long-term liquidity through a combination of fixed rate and variable rate debt. Generally, the amount of each type of debt is managed through market issuance, but interest rate swap and cap agreements with highly rated financial institutions may be used to achieve the desired combination. Using outstanding balances and annualized interest rates as of December 31, 2001, a hypothetical 10% increase in the interest rates associated with variable rate debt would have resulted in a \$0.8 million decrease in pretax earnings for 2001. Additionally, interest rates impact the fair value of long-term debt. A change in interest rates would impact KCP&L to the extent it exercised its right to call any of its outstanding callable debt. At December 31, 2001, stated values approximate fair value.

#### Equity Price Risk

KCP&L maintains trust funds, as required by the NRC, to fund certain costs of decommissioning its Wolf Creek nuclear power plant. KCP&L does not expect Wolf Creek decommissioning to start before 2025. As of December 31, 2001, these funds were invested primarily in domestic equity securities and fixed income securities and are reflected at fair value on the KCP&L's balance sheets. The mix of securities is designed to provide returns to be used to fund decommissioning and to compensate for inflationary increases in decommissioning costs; however the equity securities in the trusts are exposed to price fluctuations in equity markets, and the value of fixed rate fixed income securities are exposed to changes in interest rates. Investment performance and asset allocation are periodically reviewed. A hypothetical increase in interest rates resulting in a hypothetical 10% decrease in the value of the fixed income securities would have resulted in a \$3.4 million reduction in the value of the decommissioning trust funds. A hypothetical 10% decrease in equity prices would have resulted in a \$6.0 million reduction in the fair value of the equity securities as of December 31, 2001. KCP&L's exposure to equity price market risk associated with the decommissioning trust funds is in large part mitigated due to the fact that KCP&L is currently allowed to recover its decommissioning costs in its rates.

KLT Investments has affordable housing notes that require the greater of 15% of the outstanding note balances or the next annual installment to be held as cash, cash equivalents or marketable securities. A hypothetical 10% decrease in market prices of the securities held as collateral would have resulted in a \$1.2 million decrease in pretax earnings for 2001.

Item 8. Consolidated Financial Statements

GREAT PLAINS ENERGY  
Consolidated Statements of Income

Year ended December 31	2001	2000	1999
		(thousands)	
<b>Operating Revenues</b>			
Electric sales revenues	\$1,363,483	\$1,063,804	\$ 897,393
Gas sales revenues	15,754	48,297	20,814
Other revenues	82,681	3,767	3,275
<b>Total</b>	<b>1,461,918</b>	<b>1,115,868</b>	<b>921,482</b>
<b>Operating Expenses</b>			
Fuel	163,846	153,144	129,255
Purchased power	394,176	190,171	94,697
Gas purchased and production expenses	16,932	30,396	11,125
Other	323,663	249,926	220,534
Maintenance	77,802	74,466	62,589
Depreciation and depletion	158,771	132,378	123,269
(Gain) Loss on property	171,477	(99,118)	1,200
General taxes	98,060	92,228	93,051
<b>Total</b>	<b>1,404,727</b>	<b>823,591</b>	<b>735,720</b>
Operating income	57,191	292,277	185,762
Losses from equity investments	(376)	(19,441)	(24,951)
Other income and expenses	(29,440)	(15,353)	(7,382)
Interest charges	103,332	75,686	68,334
Income (loss) before income taxes, extraordinary item and cumulative effect of changes in accounting principles	(75,957)	181,797	85,095
Income taxes	(35,914)	53,166	3,180
Income (loss) before extraordinary item and cumulative effect of changes in accounting principles	(40,043)	128,631	81,915
Early extinguishment of debt, net of income taxes (Note 17)	15,872	-	-
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 3)	-	30,073	-
Net income (loss)	(24,171)	158,704	81,915
Preferred stock dividend requirements	1,647	1,649	3,733
Earnings (loss) available for common stock	\$ (25,818)	\$ 157,055	\$ 78,182
Average number of common shares outstanding	61,864	61,864	61,898
Basic and diluted earnings (loss) per common share before extraordinary item and cumulative effect of changes in accounting principles	\$ (0.68)	\$ 2.05	\$ 1.26
Early extinguishment of debt	0.26	-	-
Cumulative effect to January 1, 2000, of changes in accounting principles	-	0.49	-
Basic and diluted earnings (loss) per common share	\$ (0.42)	\$ 2.54	\$ 1.26
Cash dividends per common share	\$ 1.66	\$ 1.66	\$ 1.66

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



GREAT PLAINS ENERGY  
Consolidated Balance Sheets

At December 31	2001	2000
	(thousands)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 29,034	\$ 34,877
Receivables	152,114	115,356
Equity securities	-	18,597
Fuel inventories, at average cost	22,246	20,802
Materials and supplies, at average cost	50,696	46,402
Current income taxes	31,031	-
Deferred income taxes	5,061	737
Other	19,167	14,455
Total	309,349	251,226
<b>Nonutility Property and Investments</b>		
Affordable housing limited partnerships	81,136	98,129
Gas property and investments	43,385	47,654
Nuclear decommissioning trust fund	61,766	56,800
Other	64,519	81,624
Total	250,806	284,207
<b>Utility Plant, at Original Cost</b>		
Electric	4,332,464	3,832,655
Less-accumulated depreciation	1,793,786	1,645,450
Net utility plant in service	2,538,678	2,187,205
Construction work in progress	51,265	309,629
Nuclear fuel, net of amortization of \$127,101 and \$110,014	33,771	30,956
Total	2,623,714	2,527,790
<b>Deferred Charges</b>		
Regulatory assets	124,406	139,456
Prepaid pension costs	88,337	68,342
Goodwill	37,066	11,470
Other deferred charges	30,724	11,400
Total	280,533	230,668
Total	\$ 3,464,402	\$ 3,293,891
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>Current Liabilities</b>		
Notes payable	\$ 144,404	\$ -
Commercial paper	62,000	55,600
Current maturities of long-term debt	238,767	93,645
EIRR bonds classified as current (Note 13)	177,500	177,500
Accounts payable	173,956	158,242
Accrued taxes	14,324	14,402
Accrued interest	13,262	12,553
Accrued payroll and vacations	26,422	28,257
Accrued refueling outage costs	12,979	1,890
Other	35,810	14,877
Total	899,424	556,966
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	594,704	590,220
Deferred investment tax credits	45,748	50,037
Accrued nuclear decommissioning costs	63,040	58,047
Other	114,085	63,860
Total	817,577	762,164
Capitalization (see statements)	1,747,401	1,974,761
Commitments and Contingencies (Note 6)		
Total	\$ 3,464,402	\$ 3,293,891

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

GREAT PLAINS ENERGY  
Consolidated Statements of Capitalization

At December 31	2001	2000
	(thousands)	
Long-term Debt (excluding current maturities)		
General Mortgage Bonds		
Medium-Term Notes due 2003-08, 7.28% and 7.18% weighted-average rate	\$ 179,000	\$ 206,000
2.71%* and 5.59%** EIRR bonds due 2012-23	158,768	158,768
EIRR bonds classified as current liabilities (Note 13)	(31,000)	(31,000)
Senior Notes		
7.125% due 2005	250,000	250,000
6.500% due 2011	150,000	-
Unamortized discount	(660)	(550)
Medium-Term Notes		
6.69%** due 2002	-	200,000
EIRR bonds		
3.25%* and 5.55%** Series A & B due 2015	106,500	106,500
3.25%* and 4.35%** Series D due 2017	40,000	40,000
EIRR bonds classified as current liabilities (Note 13)	(146,500)	(146,500)
4.50%* and 4.50%** Series C due 2017	50,000	50,000
Subsidiary Obligations		
R.S. Andrews Enterprises, Inc. long-term debt 8.14% weighted-average rate due 2003-07	2,832	-
Affordable Housing Notes 8.16% and 8.29% weighted-average rate due 2003-08	19,746	31,129
Total	778,686	864,347
Company-obligated Mandatorily Redeemable		
Preferred Securities of a trust holding solely KCPL 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
\$100 Par Value - Redeemable		
4.00%	-	62
Total	39,000	39,062
Common Stock Equity		
Common stock-150,000,000 shares authorized without par value 61,908,726 shares issued, stated value	449,697	449,697
Capital stock premium and expense	(1,656)	(1,666)
Retained earnings (see statements)	344,815	473,321
Accumulated other comprehensive loss		
Loss on derivative hedging instruments	(12,110)	-
Minimum pension liability	(1,031)	-
Total	779,715	921,352
Total	\$ 1,747,401	\$ 1,974,761

\* Variable rate securities, weighted-average rate as of December 31, 2001

\*\* Variable rate securities, weighted-average rate as of December 31, 2000

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

GREAT PLAINS ENERGY  
Consolidated Statements of Cash Flows

Year Ended December 31	2001	2000	1999
		(thousands)	
<b>Cash Flows from Operating Activities</b>			
Net income (loss)	\$ (24,171)	\$ 158,704	\$ 81,915
Adjustments to reconcile income to net cash from operating activities:			
Early extinguishment of debt, net of income taxes	(15,872)	-	-
Cumulative effect of changes in accounting principles, net of income taxes	-	(30,073)	-
Depreciation and depletion	158,771	132,378	123,269
Amortization of:			
Nuclear fuel	17,087	15,227	15,782
Other	16,755	11,940	12,263
Deferred income taxes (net)	(301)	(29,542)	(26,784)
Investment tax credit amortization	(4,289)	(4,296)	(4,453)
Fuel contract settlement	-	-	(13,391)
Loss from equity investments	376	19,441	24,951
(Gain) Loss on property	171,477	(99,118)	1,200
Kansas rate refund accrual	-	-	(14,200)
Allowance for equity funds used during construction	(3,616)	(4,001)	(2,657)
Other operating activities (Note 2)	(37,356)	23,213	(37,786)
Net cash from operating activities	278,861	193,873	160,109
<b>Cash Flows from Investing Activities</b>			
Utility capital expenditures	(262,030)	(401,041)	(180,687)
Allowance for borrowed funds used during construction	(9,197)	(12,184)	(3,378)
Purchases of investments	(46,105)	(55,531)	(35,072)
Purchases of nonutility property	(66,119)	(25,466)	(55,792)
Proceeds from sale of assets	66,460	225,958	39,617
Hawthorn No. 5 partial insurance recovery	30,000	50,000	80,000
Loan to DTI prior to majority ownership	(94,000)	-	-
Other investing activities	10,306	18,967	(10,316)
Net cash from investing activities	(370,685)	(199,297)	(165,628)
<b>Cash Flows from Financing Activities</b>			
Issuance of long-term debt	249,597	500,445	10,889
Repayment of long-term debt	(193,145)	(179,858)	(109,060)
Net change in short-term borrowings	140,747	(183,099)	228,699
Dividends paid	(104,335)	(104,335)	(106,662)
Redemption of preferred stock	-	-	(50,000)
Other financing activities	(6,883)	(5,925)	1,513
Net cash from financing activities	85,981	27,228	(24,621)
Net Change in Cash and Cash Equivalents	(5,843)	21,804	(30,140)
Cash and Cash Equivalents at Beginning of Year	34,877	13,073	43,213
Cash and Cash Equivalents at End of Year	\$ 29,034	\$ 34,877	\$ 13,073

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

GREAT PLAINS ENERGY  
Consolidated Statements of Comprehensive Income

Year Ended December 31	2001	2000	1999
		(thousands)	
Net Income (Loss)	\$ (24,171)	\$ 158,704	\$ 81,915
Other comprehensive loss:			
Unrealized loss on securities available for sale	-	-	(3,778)
Income tax benefit	-	-	1,367
Net unrealized loss on securities available for sale	-	-	(2,411)
Loss on derivative hedging instruments	(43,706)	-	-
Income tax benefit	18,136	-	-
Net loss on derivative hedging instruments	(25,570)	-	-
Minimum pension liability	(1,691)	-	-
Income tax benefit	660	-	-
Net minimum pension liability	(1,031)	-	-
Reclassification to revenues and expenses, net of tax	(3,983)	2,337	-
Comprehensive income before cumulative effect of a change in accounting principles, net of income taxes	(54,755)	161,041	79,504
Cumulative effect to January 1, 2001, of a change in accounting principles, net of income taxes	17,443	-	-
Comprehensive Income (Loss)	\$ (37,312)	\$ 161,041	\$ 79,504

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

GREAT PLAINS ENERGY  
Consolidated Statements of Retained Earnings

Year Ended December 31	2001	2000	1999
		(thousands)	
Beginning Balance	\$ 473,321	\$ 418,952	\$ 443,699
Net Income (Loss)	(24,171)	158,704	81,915
Dividends Declared	449,150	577,656	525,614
Preferred stock - at required rates	1,647	1,649	3,911
Common stock	102,688	102,686	102,751
Ending Balance	\$ 344,815	\$ 473,321	\$ 418,952

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

KANSAS CITY POWER & LIGHT COMPANY  
Consolidated Statements of Income

Year ended December 31	2001	2000 (thousands)	1999
<b>Operating Revenues</b>			
Electric sales revenues	\$ 1,256,121	\$ 1,063,804	\$ 897,393
Other revenues	94,773	52,064	24,089
Total	1,350,894	1,115,868	921,482
<b>Operating Expenses</b>			
Fuel	163,846	153,144	129,255
Purchased power	304,862	190,171	94,697
Gas purchased and production expenses	17,454	30,396	11,125
Other	304,704	249,926	220,534
Maintenance	77,172	74,466	62,589
Depreciation and depletion	152,893	132,378	123,269
(Gain) Loss on property	(22,026)	(99,118)	1,200
General taxes	97,288	92,228	93,051
Total	1,096,193	823,591	735,720
Operating income	254,701	292,277	185,762
Losses from equity investments	(501)	(19,441)	(24,951)
Other income and expenses	(22,440)	(15,353)	(7,382)
Interest charges	97,653	75,686	68,334
Income before income taxes, extraordinary item and cumulative effect of changes in accounting principles	134,107	181,797	85,095
Income taxes	30,288	53,166	3,180
Income before extraordinary item and cumulative effect of changes in accounting principles	103,819	128,631	81,915
Early extinguishment of debt, net of income taxes	15,872	-	-
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 3)	-	30,073	-
Net income	119,691	158,704	81,915
Preferred stock dividend requirements	1,098	1,649	3,733
Earnings available for common stock	\$ 118,593	\$ 157,055	\$ 78,182

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

KANSAS CITY POWER & LIGHT COMPANY  
Consolidated Balance Sheets

At December 31	2001	2000
	(thousands)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 962	\$ 34,877
Receivables	62,511	115,356
Equity securities	-	18,597
Fuel inventories, at average cost	22,246	20,802
Materials and supplies, at average cost	50,696	46,402
Deferred income taxes	5,061	737
Other	11,484	14,455
Total	152,960	251,226
Nonutility Property and Investments		
Affordable housing limited partnerships	-	98,129
Gas property and investments	-	47,654
Nuclear decommissioning trust fund	61,766	56,800
Other	40,797	81,624
Total	102,563	284,207
Utility Plant, at Original Cost		
Electric	4,332,464	3,832,655
Less-accumulated depreciation	1,793,786	1,645,450
Net utility plant in service	2,538,678	2,187,205
Construction work in progress	51,265	309,629
Nuclear fuel, net of amortization of \$127,101 and \$110,014	33,771	30,956
Total	2,623,714	2,527,790
Deferred Charges		
Regulatory assets	124,406	139,456
Prepaid pension costs	88,337	68,342
Goodwill	22,952	11,470
Other deferred charges	30,724	11,400
Total	266,419	230,668
Total	\$ 3,145,656	\$ 3,293,891
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities		
Notes payable	\$ 20,404	\$ -
Commercial paper	62,000	55,600
Current maturities of long-term debt	227,383	93,645
EIRR bonds classified as current (Note 13)	177,500	177,500
Accounts payable	113,029	158,242
Accrued taxes	15,895	14,402
Accrued interest	11,327	12,553
Accrued payroll and vacations	22,581	28,257
Accrued refueling outage costs	12,979	1,890
Other	14,562	14,877
Total	677,660	556,966
Deferred Credits and Other Liabilities		
Deferred income taxes	630,699	590,220
Deferred investment tax credits	45,748	50,037
Accrued nuclear decommissioning costs	63,040	58,047
Other	75,186	63,860
Total	814,673	762,164
Capitalization (see statements)	1,653,323	1,974,761
Commitments and Contingencies (Note 6)		
Total	\$ 3,145,656	\$ 3,293,891

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

KANSAS CITY POWER & LIGHT COMPANY  
Consolidated Statements of Capitalization

At December 31	2001	2000
	(thousands)	
Long-term Debt (excluding current maturities)		
General Mortgage Bonds		
Medium-Term Notes due 2003-08, 7.28% and 7.18% weighted-average rate	\$ 179,000	\$ 206,000
2.71%* and 5.59%** EIRR bonds due 2012-23	158,768	158,768
EIRR bonds classified as current liabilities (Note 13)	(31,000)	(31,000)
Senior Notes		
7.125% due 2005	250,000	250,000
6.500% due 2011	150,000	-
Unamortized discount	(660)	(550)
Medium-Term Notes		
6.69%** due 2002	-	200,000
EIRR bonds		
3.25%* and 5.55%** Series A & B due 2015	106,500	106,500
3.25%* and 4.35%** Series D due 2017	40,000	40,000
EIRR bonds classified as current liabilities (Note 13)	(146,500)	(146,500)
4.50%* and 4.50%** Series C due 2017	50,000	50,000
Subsidiary Obligations		
R.S. Andrews Enterprises, Inc. long-term debt		
8.14% weighted-average rate due 2003-07	2,832	-
Affordable Housing Notes		
8.29% weighted-average rate due 2003-08	-	31,129
Total	758,940	864,347
Company-obligated Mandatorily Redeemable		
Preferred Securities of a trust holding solely		
KCPL Subordinated Debentures	150,000	150,000
Cumulative Preferred Stock		
\$100 Par Value		
3.80% - 100,000 shares issued	-	10,000
4.50% - 100,000 shares issued	-	10,000
4.20% - 70,000 shares issued	-	7,000
4.35% - 120,000 shares issued	-	12,000
\$100 Par Value - Redeemable		
4.00%	-	62
Total	-	39,062
Common Stock Equity		
Common stock-150,000,000 shares authorized		
without par value 61,908,726 shares issued, stated value	-	449,697
Common stock-1,000 shares authorized without		
par value 1 share issued, stated value ***	487,041	-
Capital stock premium and expense	39,000	(1,666)
Retained earnings (see statements)	219,524	473,321
Accumulated other comprehensive loss		
Loss on derivative hedging instruments	(151)	-
Minimum pension liability	(1,031)	-
Total	744,383	921,352
Total	\$ 1,653,323	\$ 1,974,761

\* Variable rate securities, weighted-average rate as of December 31, 2001

\*\* Variable rate securities, weighted-average rate as of December 31, 2000

\*\*\* Reflects common stock value held by Great Plains Energy resulting from the exchange of KCP&L common stock to Great Plains Energy common stock and the transfer of \$39 million of preferred stock and the associated stock premium and discount to Great Plains Energy due to the October 1, 2001 formation of the holding company.

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

KANSAS CITY POWER & LIGHT COMPANY  
Consolidated Statements of Cash Flows

Year Ended December 31	2001	2000	1999
		(thousands)	
Cash Flows from Operating Activities			
Net income	\$ 119,691	\$ 158,704	\$ 81,915
Adjustments to reconcile income to net cash from operating activities:			
Early extinguishment of debt, net of income taxes	(15,872)	-	-
Cumulative effect of changes in accounting principles, net of income taxes	-	(30,073)	-
Depreciation and depletion	152,893	132,378	123,269
Amortization of:			
Nuclear fuel	17,087	15,227	15,782
Other	15,717	11,940	12,263
Deferred income taxes (net)	12,867	(29,542)	(26,784)
Investment tax credit amortization	(4,289)	(4,296)	(4,453)
Fuel contract settlement	-	-	(13,391)
Loss from equity investments	501	19,441	24,951
(Gain) Loss on property	(22,026)	(99,118)	1,200
Kansas rate refund accrual	-	-	(14,200)
Allowance for equity funds used during construction	(3,616)	(4,001)	(2,657)
Other operating activities (Note 2)	(35,322)	23,213	(37,786)
Net cash from operating activities	237,631	193,873	160,109
Cash Flows from Investing Activities			
Utility capital expenditures	(262,030)	(401,041)	(180,687)
Allowance for borrowed funds used during construction	(9,197)	(12,184)	(3,378)
Purchases of investments	(41,548)	(55,531)	(35,072)
Purchases of nonutility property	(49,254)	(25,466)	(55,792)
Proceeds from sale of assets	64,072	225,958	39,617
Hawthorn No. 5 partial insurance recovery	30,000	50,000	80,000
Loan to DTI prior to majority ownership	(94,000)	-	-
Other investing activities	8,087	18,967	(10,316)
Net cash from investing activities	(353,870)	(199,297)	(165,628)
Cash Flows from Financing Activities			
Issuance of long-term debt	249,597	500,445	10,889
Repayment of long-term debt	(93,099)	(179,858)	(109,060)
Net change in short-term borrowings	14,524	(183,099)	228,699
Dividends paid	(78,246)	(104,335)	(106,662)
Dividends paid to Great Plains Energy	(25,677)	-	-
Cash of KLT Inc. and GPP dividended to Great Plains Energy	(19,115)	-	-
Redemption of preferred stock	-	-	(50,000)
Equity contribution from Great Plains Energy	39,000	-	-
Other financing activities	(4,660)	(5,925)	1,513
Net cash from financing activities	82,324	27,228	(24,621)
Net Change in Cash and Cash Equivalents	(33,915)	21,804	(30,140)
Cash and Cash Equivalents at Beginning of Year	34,877	13,073	43,213
Cash and Cash Equivalents at End of Year	\$ 962	\$ 34,877	\$ 13,073

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



KANSAS CITY POWER & LIGHT COMPANY  
Consolidated Statements of Comprehensive Income

Year Ended December 31	2001	2000	1999
		(thousands)	
Net income	\$ 119,691	\$ 158,704	\$ 81,915
Other comprehensive loss:			
Unrealized loss on securities available for sale	-	-	(3,778)
Income tax benefit	-	-	1,367
Net unrealized loss on securities available for sale	-	-	(2,411)
Loss on derivative hedging instruments	(39,952)	-	-
Income tax benefit	16,590	-	-
Net loss on derivative hedging instruments	(23,362)	-	-
Minimum pension liability	(1,691)	-	-
Income tax benefit	660	-	-
Net minimum pension liability	(1,031)	-	-
Reclassification to revenues and expenses, net of tax	(7,687)	2,337	-
Comprehensive income before cumulative effect of a change in accounting principles, net of income taxes	87,611	161,041	79,504
Cumulative effect to January 1, 2001, of a change in accounting principles, net of income taxes	17,443	-	-
Comprehensive Income	\$ 105,054	\$ 161,041	\$ 79,504

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

KANSAS CITY POWER & LIGHT COMPANY  
Consolidated Statements of Retained Earnings

Year Ended December 31	2001	2000	1999
		(thousands)	
Beginning Balance	\$ 473,321	\$ 418,952	\$ 443,699
Net Income	119,691	158,704	81,915
	593,012	577,656	525,614
Dividends Declared			
Preferred stock - at required rates	824	1,649	3,911
Common stock	77,011	102,686	102,751
Common stock held by Great Plains Energy	25,677	-	-
Equity dividend of KLT Inc. and GPP to Great Plains Energy	269,976	-	-
Ending Balance	\$ 219,524	\$ 473,321	\$ 418,952

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

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. Effective October 1, 2001, KCP&L completed its formation of the holding company and became a wholly owned subsidiary of Great Plains Energy. Additionally, KCP&L dividended to Great Plains Energy, its ownership in KLT Inc. and GPP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Plains Energy (The Company)

Great Plains Energy is a registered holding company under the PUHCA. Effective October 1, 2001, all outstanding KCP&L shares were exchanged one for one for shares of Great Plains Energy. The Great Plains Energy trading symbol "GXP" replaced the KCP&L trading symbol "KLT" on the New York Stock Exchange.

Effective October 1, 2001, KCP&L dividended its 100% ownership of KLT Inc. and GPP to Great Plains Energy. As a result, those companies are subsidiaries of Great Plains Energy and are not included in consolidated KCP&L's results of operations and financial position since that date.

Great Plains Energy's consolidated financial statements include consolidated KCP&L, KLT Inc. and GPP. The presentation of prior years results of operations and financial position for Great Plains Energy is provided for comparative purposes and is identical to the results of operations and financial position for consolidated KCP&L, prior to formation of the holding company, presented for those years. Intercompany balances and transactions have been eliminated in consolidation.

Consolidated KCP&L

KCP&L's consolidated financial statements include its wholly owned subsidiary HSS. In addition, KCP&L's consolidated results of operations include KLT Inc. and GPP for all periods prior to the October 1, 2001, formation of the holding company. KCP&L is a medium-sized, integrated electric utility with more than 474,000 customers at year-end in western Missouri and eastern Kansas. About 95% of KCP&L's retail electric revenues are from the Kansas City metropolitan area, an agribusiness center and major regional center for wholesale, retail and service companies. About 60% of KCP&L's 2001 retail megawatt-hour sales were to Missouri customers, the remainder to Kansas customers.

The rates charged by KCP&L are approved by the FERC and the state utility commissions, the MPSC and the KCC. The FERC regulates wholesale electricity operations and transmission rates and the state commissions regulate retail generation and distribution rates.

HSS, a wholly owned, unregulated subsidiary, owns 72% of RSAE, a consumer services company in Atlanta, Georgia. In 2001, HSS acquired majority ownership in RSAE and changed the method of accounting for RSAE from the equity method to consolidation. In addition, HSS owns all the stock of Worry Free Service, Inc. (Worry Free). Worry Free assists residential customers in obtaining financing primarily for heating and air conditioning equipment.

KLT Inc. and GPP

KLT Inc., formed in 1992, is an investment company focusing on energy-related ventures that are unregulated with high growth potential. KLT Inc.'s major holdings consist of Strategic Energy, KLT Gas, and investments in affordable housing limited partnerships. GPP, formed in 2001, will be a competitive generator that will sell to the wholesale market.

The preparation of Great Plains Energy and KCP&L's consolidated financial statements conforms with GAAP. Additionally, KCP&L's consolidated financial statements conform with the standards set forth by the FERC. GAAP requires in certain instances the use of estimates and assumptions that affect amounts reported in the financial statements along with the disclosure of commitments and contingencies at the date of the financial statements. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

#### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

**Current Assets and Current Liabilities**-The stated value of financial instruments classified as current assets or liabilities approximates fair value due to the short-term nature of the instruments. At December 31, 2000, the equity securities were considered trading securities and therefore were recorded at fair value based on quoted market prices.

**Investments and Nonutility Property**-KCP&L's nuclear decommissioning trust fund is recorded at fair value. Fair value is based on quoted market prices of the investments held by the fund. The fair value of KLT Investments' affordable housing limited partnership total portfolio, based on the discounted cash flows generated by tax credits, tax deductions and sale of properties, approximates book value. The fair values of other various investments are not readily determinable and the investments are therefore stated at cost.

**Long-term debt**-The incremental borrowing rate for similar debt was used to determine fair value if quoted market prices were not available. The stated values approximate fair market values.

#### Investments in Affordable Housing Limited Partnerships

At December 31, 2001, KLT Investments had \$81.1 million in affordable housing limited partnerships. About 68% 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 (estimated residual value). For most investments, tax credits are received over ten years. 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, \$52.9 million exceed this 5% level but were made before May 19, 1995.

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, KLT Investments reduced its investments in affordable housing limited partnerships by \$13.5 million in 2001 and \$2.4 million in 2000. Projected annual reductions of the book cost for the years 2002 through 2006 total \$9 million, \$12 million, \$8 million, \$7 million and \$6 million, respectively. Even after these reductions, earnings from affordable housing are expected to be positive for the next five years.

These projections are based on the latest information available but the ultimate amount and timing of actual reductions made could be significantly different from the above estimates.

#### Securities Available for Sale

In 2000, CellNet completed a sale of its assets to a third party causing KLT's investment in CellNet to become worthless. Accordingly, in March 2000, KLT Inc. realized losses on its investment in CellNet of \$4.8 million before taxes (\$0.05 per share). At December 31, 1999, \$3.8 million before taxes of this loss had been reported as an unrealized loss in the Consolidated Statement of Comprehensive Income. These pre-tax amounts were reduced by taxes of \$1.7 million in 2000 and \$1.4 million in 1999.

Prior to realizing the losses, the investment in CellNet had been accounted for as securities available for sale and adjusted to market value, with unrealized gains or (losses) reported as a separate component of comprehensive income. The cost of these securities available for sale that KLT Investments II held as of December 31, 1999, was \$4.8 million. Accumulated net unrealized losses were \$2.3 million at December 31, 1999.

#### Utility Plant

KCP&L's utility plant is stated at historical costs of construction. These costs include taxes, an allowance for funds used during construction (AFDC) and payroll-related costs, including pensions and other fringe benefits. Replacements, improvements and additions to units of property are capitalized. Repairs of property and replacements of items not considered to be units of property are expensed as incurred (except as discussed under Wolf Creek Refueling Outage Costs). When property units are retired or otherwise disposed, the original cost, net of salvage and removal, is charged to accumulated depreciation.

Through December 31, 2001, KCP&L received \$160 million in insurance recoveries related to property destroyed in the February 17, 1999, explosion at the Hawthorn No. 5 generating unit. Recoveries received have been recorded as an increase in accumulated depreciation.

AFDC represents the cost of borrowed funds and a return on equity funds used to finance construction projects. AFDC on borrowed funds reduces interest charges. AFDC on equity funds is included as a noncash item in Other income and expenses. The rates used to compute gross AFDC are compounded semi-annually and averaged 6.8% for 2001, 7.5% for 2000, and 7.7% for 1999.

Depreciation is computed using the straight-line method over the estimated lives of depreciable property based on rates approved by state regulatory authorities. Annual depreciation rates average about 3%.

#### Natural Gas Properties

KLT Gas follows the full cost method of accounting for its natural gas properties. Under the full cost method, all costs of acquisition, exploration and development of natural gas reserves are capitalized regardless of success. Any excess of book value plus costs to develop over the present value (10% discount rate) of estimated future net revenues (at year-end prices) from the natural gas reserves would be expensed.

Natural gas property and equipment included in the gas property and investments totaled \$39.9 million, net of accumulated depreciation of \$5.0 million, in 2001 and \$18.1 million, net of accumulated depreciation of \$1.1 million, in 2000.

Depletion, depreciation and amortization of these assets are calculated using the units of production method. The depletion per mmBtu was \$1.35 for 2001, \$0.63 for 2000 and \$0.42 for 1999. Unproved gas properties are not amortized but are assessed for impairment either individually or on an aggregated basis. All natural gas property interests owned by KLT Gas are located in the United States.

#### Wolf Creek Refueling Outage Costs

KCP&L accrues forecasted incremental costs to be incurred during scheduled Wolf Creek refueling outages monthly over the unit's operating cycle, normally about 18 months. Estimated incremental costs, which include operating, maintenance and replacement power expenses, are based on budgeted outage costs and the estimated outage duration. Changes to or variances from those estimates are recorded when known or probable.

#### Nuclear Plant Decommissioning Costs

The MPSC and the KCC require KCP&L and the other owners of Wolf Creek to submit an updated decommissioning cost study every three years. The following table shows the decommissioning cost estimates and the escalation rates and earnings assumptions approved by the MPSC and the KCC in 2000. The decommissioning cost estimates are based on the immediate dismantlement method and include the costs of decontamination, dismantlement and site restoration. KCP&L does not expect plant decommissioning to start before 2025.

	KCC	MPSC
Future cost of decommissioning:		
Total Station	\$1.2 billion	\$1.5 billion
47% share	\$554 million	\$694 million
Current cost of decommissioning (in 1999 dollars):		
Total Station	\$470 million	\$470 million
47% share	\$221 million	\$221 million
Annual escalation factor	3.60%	4.50%
Annual return on trust assets	6.93%	7.66%

KCP&L contributes about \$3 million annually to a tax-qualified trust fund to be used to decommission Wolf Creek. These costs are charged to other operating expenses and recovered in billings to customers. These funding levels assume a certain return on trust assets. If the actual return on trust assets is below the anticipated level, KCP&L believes a rate increase will be allowed ensuring full recovery of decommissioning costs over the remaining life of the unit.

The trust fund balance, including reinvested earnings, was \$61.8 million at December 31, 2001, and \$56.8 million at December 31, 2000. The related liabilities for decommissioning are included in Deferred Credits and Other Liabilities - Other.

In 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Under the new pronouncement, an entity must recognize as a liability the fair value of legal obligations associated with the retirement of long-lived assets. Management currently believes that nuclear decommissioning cost is the only significant legal retirement obligation.

After adoption of SFAS No. 143 in 2003, the asset retirement obligation for nuclear decommissioning would be recorded as a liability, currently estimated to be less than \$100 million, with offsets to net utility plant and a regulatory asset. The amount recorded to the electric plant accounts will be depreciated over the remaining life of Wolf Creek. The associated liability will be increased for the passage of time (accretion) to operating expense. Trust fund income and losses from the external decommissioning trusts would be reported as investment income or loss. KCP&L does not anticipate results of operations to be significantly affected by the adoption of SFAS No. 143 as long as KCP&L is regulated. Regulatory assets or liabilities would be recorded when SFAS No. 143 is first adopted and then yearly for the difference between decommissioning expense determined by regulation and amounts required by SFAS No. 143.

## Nuclear Fuel

KCP&L amortizes nuclear fuel to fuel expense based on the quantity of heat produced during generation of electricity. Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the permanent disposal of spent nuclear fuel. For the future disposal of spent nuclear fuel, KCP&L pays the DOE a quarterly fee of one-tenth of a cent for each kilowatt-hour of net nuclear generation delivered and sold. These disposal costs are charged to fuel expense.

A permanent disposal site will not be available for the industry until 2010 or later. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel first from the owners with the oldest spent fuel. As a result, disposal services for Wolf Creek will not be available before 2016. Wolf Creek has an on-site, temporary storage facility for spent nuclear fuel. In early 2000, Wolf Creek completed replacement of spent fuel storage racks to increase its on-site storage capacity for all spent fuel expected to be generated by Wolf Creek through the end of its licensed life in 2025.

## Regulatory Assets

SFAS No. 71, "Accounting for Certain Types of Regulation", applies to regulated entities whose rates are designed to recover the costs of providing service. Under this statement, KCP&L defers on the balance sheet items when allowed by a commission's rate order or when it is probable, based on regulatory past practices, that future rates will recover the amortization of the deferred costs. If SFAS No. 71 were not applicable, the unamortized balance of \$124.4 million of KCP&L's regulatory assets, net of the related tax benefit, would be written off.

	December 31, 2001 (millions)	Amortization ending period
Regulatory Assets		
Recoverable taxes	\$ 108.0	
Coal contract termination costs	6.4	2003
Decommission and decontaminate federal uranium enrichment facilities	3.9	2007
Premium on redeemed debt	5.1	2023
Other	1.0	2006
Total Regulatory Assets	\$ 124.4	

## Revenue Recognition

KCP&L and Strategic Energy use cycle billing and accrue estimated unbilled revenue at the end of each month. When Strategic Energy is arranging supply for retail customers, excess supply in certain time periods may occur. To reduce the total cost of providing energy to its retail customers, Strategic Energy sells the excess retail supply. The sale of excess retail supply is recorded in the consolidated statements of income as a reduction of purchased power. The gross amount of such excess retail supply sales was approximately \$95.6 million in 2001, \$29.5 million in 2000 and \$7.2 million in 1999. KLT Gas records natural gas sales revenues based on the amount of gas sold to purchasers on its behalf.

## Property Gains and Losses

Net gains and losses from the sales of assets, businesses, and asset impairments are recorded in operating expenses. See Note 17 for additional information regarding the net impairment of DTI assets.

## Asset Impairments

Long-lived assets, including intangibles, are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. To the extent that there is impairment, analysis is performed based on several criteria, including but not

limited to revenue trends, discounted operating cash flows and other operating factors, to determine the impairment amount.

#### Income Taxes

The balance sheet includes deferred income taxes for all temporary differences between the tax basis of an asset or liability and that reported in the financial statements. These deferred tax assets and liabilities are determined by using the tax rates scheduled by the tax law to be in effect when the differences reverse. A tax valuation allowance is recorded when it is more likely than not that a deferred tax asset will not be realized.

Regulatory Asset - Recoverable taxes mainly reflects the future revenue requirements necessary to recover the tax benefits of existing temporary differences previously passed through to KCP&L customers. KCP&L records operating income tax expense based on ratemaking principles. However, if the method used for the balance sheet were reflected in the income statement, net income would remain the same.

Tax credits are recognized in the year generated except for certain KCP&L investment tax credits that have been deferred and amortized over the remaining service lives of the related properties.

#### Environmental Matters

Environmental costs are accrued when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated.

#### Basic and Diluted Earnings per Common Share Calculation

There is no dilutive effect on Great Plains Energy's earnings per share from other securities in 2001, 2000 or 1999. To determine earnings per common share, preferred stock dividend requirements are subtracted from both income before extraordinary item and cumulative effect of changes in accounting principles and net income before dividing by average number of common shares outstanding. The earnings per share impact of the extraordinary item and the cumulative effect of changes in accounting principles is determined by dividing each by the average number of common shares outstanding.

Earnings per share for KCP&L and Great Plains Energy are the same for the years 2000 and 1999, prior to the formation of the holding company.

## 2. SUPPLEMENTAL CASH FLOW INFORMATION

#### Great Plains Energy Other Operating Activities

	2001	2000	1999
	(thousands)		
Cash flows affected by changes in:			
Receivables	\$(32,680)	\$ (42,565)	\$ (1,417)
Fuel inventories	(1,444)	1,787	(3,840)
Materials and supplies	(4,294)	(113)	(926)
Accounts payable	9,495	66,765	6,545
Accrued taxes	(31,133)	13,430	(14,653)
Accrued interest	667	(2,865)	(7,962)
Wolf Creek refueling outage accrual	11,089	(5,166)	(5,259)
Pension and postretirement benefit obligations	(22,577)	(12,653)	1,939
Other	33,932	4,593	(12,213)
Total other operating activities	\$(36,945)	\$ 23,213	\$(37,786)
Cash paid during the period:			
Interest	\$ 84,907	\$ 76,395	\$ 74,520
Income taxes	\$ 21,614	\$ 80,445	\$ 52,300

During the first quarter of 2001, because KLT Telecom increased its equity ownership in DTI to a majority ownership, DTI was consolidated. On December 31, 2001, DTI filed voluntary petitions in Bankruptcy Court. See Note 17 for details regarding the bankruptcy. Beginning February 8, 2001, through December 31, 2001, prior to the bankruptcy, DTI's operations were included in KLT Telecom's results of operations.

The table below reflects a reconciliation of DTI's effect on Great Plains Energy's consolidated statement of cash flows for the year ended December 31, 2001, to the cash invested in DTI during 2001.

	(thousands)	
Cash Flows from Operating Activities		
Amounts included in net income(loss)	\$(248,437)	
Depreciation	17,907	
Goodwill amortization	2,481	
Loss on property (net impairment)	195,835	
Other operating activities		
Accretion of Senior Discount Notes and amortization of the discount	16,364	
Other	1,719	
DTI adjustment to operating activities	234,306	
Net cash from operating activities		\$ (14,131)
Cash Flows from Investing Activities		
Purchase of additional ownership in DTI	(39,855)	
Purchase of nonutility property	(33,648)	
Loans to DTI prior to consolidation	(94,000)	
Other investing activities	3,002	
DTI effect on cash from investing activities		(164,501)
Cash Flows from Financing Activities		
DTI effect on cash from financing activities		(2,223)
Cash flows from DTI investment		\$(180,855)
Cash invested in DTI		
Loan to DTI Holdings	\$ (94,000)	
Operating loans to Digital Teleport, Inc.	(47,000)	
Purchase of additional ownership in DTI	(39,855)	
Cash used for DTI investment		\$(180,855)



Consolidated KCP&L Other Operating Activities

	2001	2000	1999
Cash flows affected by changes in:		(thousands)	
Receivables	\$(43,604)	\$(42,565)	\$ (1,417)
Fuel inventories	(1,444)	1,787	(3,840)
Materials and supplies	(4,294)	(113)	(926)
Accounts payable	(14,878)	66,765	6,545
Accrued taxes	(1,995)	13,430	(14,653)
Accrued interest	610	(2,865)	(7,962)
Wolf Creek refueling outage accrual	11,089	(5,166)	(5,259)
Pension and postretirement benefit obligations	(22,577)	(12,653)	1,939
Other	41,771	4,593	(12,213)
Total other operating activities	\$(35,322)	\$ 23,213	\$(37,786)
Cash paid during the period:			
Interest	\$ 82,867	\$ 76,395	\$ 74,520
Income taxes	\$ 21,470	\$ 80,445	\$ 52,300

As described in note 1, KCP&L dividdened its ownership in KLT Inc. and GPP to Great Plains Energy on October 1, 2001. The effect of this transaction on KCP&L's consolidated statement of cash flows for the year ended December 31, 2001, is summarized in the table that follows.

Effect of dividend to Great Plains Energy:	October 1, 2001	
	(thousands)	
Assets		
Cash	\$ 19,115	
Equity securities	283	
Receivables	101,539	
Nonutility property and investments	529,121	
Goodwill	75,534	
Other assets	8,542	
Total assets		\$734,134
Liabilities and Accumulated Other Comprehensive Income		
Notes payable	\$ 3,077	
Accounts payable	67,853	
Accrued taxes	(1,050)	
Accrued interest	1,878	
Deferred income taxes	(23,868)	
Deferred telecommunications revenue	45,595	
Other liabilities and deferred credits	54,340	
Long-term debt	329,788	
Accumulated other comprehensive income	(13,455)	
Total liabilities and accumulated other comprehensive income		464,158
Equity dividend of KLT Inc. and GPP to Great Plains Energy		\$269,976

During the first quarter of 2001, KLT Telecom increased its equity ownership in DTI to a majority ownership and HSS increased its equity ownership in RSAE to a majority ownership. The effect of these transactions is summarized in the tables that follow. The initial consolidation of DTI (February 8, 2001) and RSAE (January 1, 2001) are not reflected in KCP&L's consolidated statement of cash flows for the year ended December 31, 2001.

	DTI	RSAE
	(thousands)	
Cash paid to obtain majority ownership	\$ (39,855)	\$ (560)
Subsidiary cash	4,557	1,053
Purchase of DTI and RSAE, net of cash received	\$ (35,298)	\$ 493
Initial consolidation of subsidiaries:		
Assets		
Cash	\$ 4,557	\$ 1,053
Receivables	1,012	4,078
Other nonutility property and investments	363,825	6,267
Goodwill	62,974	24,496
Other assets	5,143	3,919
Eliminate equity investment	(67,660)	(7,200)
Total assets	\$ 369,851	\$ 32,613
Liabilities		
Notes payable	\$ 5,300	\$ 10,057
Accounts payable	31,299	6,219
Accrued taxes	2,414	24
Deferred income taxes	7,437	-
Other liabilities and deferred credits	46,531	13,418
Loan from KLT Telecom (a)	94,000	-
Long-term debt	182,870	2,895
Total liabilities	\$ 369,851	\$ 32,613

- (a) KLT Telecom provided a \$94 million loan to DTI for the completion of the tender offer of 50.4 percent of DTI's Senior Discount Notes prior to increasing its DTI investment to a majority ownership.

#### Sales of KLT Gas properties

KLT Gas sold producing natural gas properties to Evergreen Resources, Inc. (Evergreen) and Barrett Resources Corporation during 2000. The transactions are summarized in the table below.

	2000 (thousands)
Cash proceeds	\$ 125,958
Preferred stock redeemed (a)	100,000
Total cash proceeds	225,958
Equity securities	10,000
Receivable	1,243
Total proceeds	237,201
Cost basis in property sold	(87,785)
Accounts payable (b)	(23,168)
Other assets and liabilities (b)	(15,670)
Gain on sale before income tax	110,578
Income tax	(42,606)
Gain on sale, net of income tax	\$ 67,972

- (a) The preferred stock received in September 2000 was redeemed in December 2000.
- (b) Includes \$7.9 million of incentive compensation.

As part of the sales transactions, KLT Gas received additional Evergreen shares valued at \$4 million in December 2000 because of the increase in natural gas futures. The Evergreen common stock was considered a trading security and recorded at fair value at December 31, 2000.

### 3. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

#### Changes in Pension Accounting Principles

Effective January 1, 2000, KCP&L changed its methods of amortizing unrecognized net gains and losses and determination of expected return related to its accounting for pension expense. These changes were made to reflect more timely in pension expense the gains and losses incurred by the pension funds.

At the time KCP&L originally adopted the standards governing accounting for pensions, it chose the following accounting methods that would minimize fluctuations in pension expense:

- - Recognized gains and losses if, as of the beginning of the year, the unrecognized net gain or loss exceeded 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization was required, amortization was the excess divided by the average remaining service period, approximately 15 years, of active employees expected to receive benefits under the plan. This method resulted in minimal gains being amortized.
- - Determined the expected return by multiplying the long-term rate of return times the market-related value. KCP&L determined market-related value by recognizing changes in fair value of plan assets over a five-year period.

KCP&L has changed the above accounting methods to the following:

- - Recognize gains and losses by amortizing over a five-year period the rolling five-year average of unamortized gains and losses.
- - Determine the expected return by multiplying the long-term rate of return times the fair value of plan assets.

Adoption of the new methods of accounting for pensions has led and will continue to lead to greater fluctuations in pension expense in the future. The following table details the effects of the adoption of the new methods of accounting for pensions.

	Changes in Method of Accounting for Pensions (a)					
	Amortization of Gains and Losses		Expected Return	Reductions (b)		Net Total
	(millions except		Total	per share amounts)		
Cumulative effect of change in method of accounting:						
Income	\$ 21.4	\$ 13.6	\$ 35.0	\$ (4.9)		\$ 30.1
Basic and diluted earnings per common share	\$ 0.35	\$ 0.22	\$ 0.57	\$ (0.08)		\$ 0.49
Year 2000 earnings effect of change in method of accounting:						
Income	\$ 4.1	\$ 2.0	\$ 6.1	\$ (1.1)		\$ 5.0
Basic and diluted earnings per common share	\$ 0.07	\$ 0.03	\$ 0.10	\$ (0.02)		\$ 0.08
Prior year's earnings effect of change in method of accounting if the change had been made January 1, 1999:						
1999						
Income	\$ 4.4	\$ 1.1	\$ 5.5	\$ (1.0)		\$ 4.5
Basic and diluted earnings per common share	\$ 0.07	\$ 0.02	\$ 0.09	\$ (0.02)		\$ 0.07

(a) All changes are increases to income or earnings per common share and are after income taxes.

(b) The Reductions column reflects the effects of capitalization and sharing with joint-owners of power plants.

### Pension Plans and Other Employee Benefits

KCP&L has defined benefit pension plans for its employees, including officers and Wolf Creek employees. Benefits under these plans reflect the employees' compensation, years of service and age at retirement. KCP&L satisfies the minimum funding requirements under the Employee Retirement Income Security Act of 1974.

During 2001, the plans, other than those at Wolf Creek, were amended resulting in an increase to the benefit obligation of \$6.8 million. The increase was due primarily to an amendment to the non-management plan, which improved benefits to employees with at least thirty years of service who elected lump sum distributions.

During 2000, the plans were amended, except for those at Wolf Creek, which resulted in a \$42.0 million increase in the benefit obligation. The amendments changed the mortality tables used and added enhanced benefit options. The enhancements include improved early retirement benefits for employees who retire after their age plus their years of service equals at least 85. The options also include lump sum distributions. During 2001, the plans experienced lump sum distributions related to these enhancements in excess of \$33.0 million.

Primarily as a result of the significant decline in the market value of plan assets, KCP&L recorded an additional minimum pension liability of \$20.0 million offset by an increase of \$18.3 million in intangible assets and \$1.7 million in other comprehensive income.

In addition to providing pension benefits, KCP&L provides certain postretirement health care and life insurance benefits for substantially all retired employees. KCP&L accrues the cost of postretirement health care and life insurance benefits during an employee's years of service and recovers these accruals through rates. KCP&L funds the portion of net periodic postretirement benefit costs that are tax deductible. Beginning in 2001, management employees who resign with 25 years or more of service are eligible for life insurance benefits.

	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
	(thousands)			
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 411,960	\$ 334,939	\$ 36,858	\$ 31,910
Service cost	11,152	9,384	729	547
Interest cost	31,905	26,538	2,918	2,543
Contribution by participants	-	-	459	243
Amendments	6,790	42,025	960	-
Actuarial (gain) loss	22,853	26,504	3,185	4,997
Benefits paid	(28,807)	(27,116)	(3,432)	(2,980)
Benefits paid by KCP&L	(1,381)	(314)	(454)	(402)
Settlements	(33,346)	-	-	-
Benefit obligation at end of year (a)	\$ 421,126	\$ 411,960	\$ 41,223	\$ 36,858

	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
	(thousands)			
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 564,947	\$ 453,150	\$ 8,096	\$ 7,100
Actual return on plan assets	(112,397)	137,684	601	225
Contributions by employer and participants	1,017	1,229	4,193	3,751
Benefits paid	(28,807)	(27,116)	(3,432)	(2,980)
Settlements	(29,745)	-	-	-
Fair value of plan assets at end of year	\$ 395,015	\$ 564,947	\$ 9,458	\$ 8,096
Prepaid (accrued) benefit cost				
Funded status	\$ (26,111)	\$ 152,987	\$ (31,765)	\$(28,762)
Unrecognized actuarial (gain) loss	58,686	(138,818)	4,649	1,692
Unrecognized prior service cost	47,296	44,960	1,282	400
Unrecognized transition obligation	(230)	(2,253)	12,919	14,093
Net prepaid (accrued) benefit cost	\$ 79,641	\$ 56,876	\$(12,915)	\$(12,577)
Amounts recognized in the consolidated balance sheets				
Prepaid benefit cost	\$ 88,337	\$ 68,342	\$ -	\$ -
Accrued benefit cost	(8,696)	(11,466)	(12,915)	(12,577)
Minimum pension liability adjustment	(19,994)	-	-	-
Intangible asset	18,303	-	-	-
Accumulated other comprehensive income	1,691	-	-	-
Net amount recognized in statements	\$ 79,641	\$ 56,876	\$(12,915)	\$(12,577)

(a) Based on weighted-average discount rates of 7.25% in 2001 and 8.0% in 2000; and increases in future salary levels of 4.1% in 2001 and 2000.

	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
	(thousands)					
Components of net periodic benefit cost						
Service cost	\$ 11,152	\$ 9,384	\$ 10,983	\$ 729	\$ 547	\$ 678
Interest cost	31,905	26,538	25,446	2,918	2,543	2,493
Expected return on plan assets	(48,967)	(39,571)	(31,263)	(403)	(361)	(348)
Amortization of prior service cost	3,884	488	498	78	78	77
Recognized net actuarial loss (gain)	(11,333)	(5,913)	896	32	2	51
Transition obligation	(2,023)	(2,072)	(2,072)	1,174	1,174	1,175
Net settlements	(1,738)	-	-	-	-	-
Net periodic benefit cost	\$(17,120)	\$(11,146)	\$ 4,488	\$4,528	\$3,983	\$4,126

Long-term rates of return on pension assets of 9.0% to 9.25% were used.

The pension benefits table above provides information relating to the funded status of all defined benefit pension plans on an aggregate basis. The projected benefit obligation, accumulated benefit

obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets was \$213.4 million, \$176.3 million, and \$234.3 million, respectively, as of December 31, 2001, and \$404.1 million, \$342.6 million, and \$564.9 million, respectively, as of December 31, 2000. Net periodic benefit costs reflect total plan benefit costs prior to the effects of capitalization and sharing with joint-owners of power plants.

Actuarial assumptions include an increase in the annual health care cost trend rate for the year 2001 and thereafter of 5.3%. The health care plan requires retirees to share in the cost when premiums exceed a certain amount. An increase or decrease in the assumed health care cost trend rate by 1% per year would only increase or decrease the benefit obligation as of December 31, 2001, by about \$2,000,000 and the combined service and interest costs of the net periodic postretirement benefit cost for 2001 by about \$200,000.

#### Employee Savings Plans

KCP&L has a defined contribution savings plan that covers substantially all employees. The Company matches employee contributions, subject to limits. The annual cost of the plan was \$2.9 million during both 2001 and 2000, and \$2.8 million during 1999.

#### Stock Options

The Company has a long-term incentive plan that permits the grant of restricted stock, stock options, limited stock appreciation rights and performance shares to officers and other employees of the Company and its subsidiaries. The maximum number of shares of Great Plains Energy common stock that may be issued under the plan is 3.0 million.

#### Stock Options Granted 1992 - 1996

The exercise price of stock options granted equaled the market price of the Company's common stock on the grant date. One-half of all options granted vested one year after the grant date, the other half vested two years after the grant date. An amount equal to the quarterly dividends paid on Great Plains Energy's common stock shares (dividend equivalents) accrues on the options for the benefit of option holders. The option holders are entitled to stock for their accumulated dividend equivalents only if the options are exercised when the market price is above the exercise price. At December 31, 2001, the market price of Great Plains Energy's common stock was \$25.20, which exceeded the grant price for two of the three years that options granted were still outstanding. Unexercised options expire ten years after the grant date.

KCP&L follows Accounting Principles Board (APB) Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for this plan. KCP&L recognizes annual expense equal to accumulated and reinvested dividends plus the impact of the change in stock price since the grant date. KCP&L expensed \$(0.3) million in 2001, \$1.1 million in 2000 and \$(1.1) million in 1999.

Even though KCP&L follows APB Opinion 25, SFAS No. 123, "Accounting for Stock-Based Compensation" requires certain disclosures regarding expense and value of options granted using the fair-value method. KCP&L has expensed approximately the same amount as required by FASB 123. For options outstanding at December 31, 2001, grant prices range from \$20.6250 to \$26.1875 and the weighted-average remaining contractual life is 3.6 years.

Stock option activity over the last three years is summarized below:

	2001		2000		1999	
	Shares	Price*	Shares	Price*	Shares	Price*
Outstanding at						
January 1	88,500	\$23.57	89,875	\$23.57	97,875	\$23.41
Exercised	31,125	23.27	(1,375)	23.88	-	-
Canceled	-	-	-	-	(8,000)	21.63
Outstanding at						
December 31	57,375	\$23.73	88,500	\$23.57	89,875	\$23.57
Exercisable as						
of December 31	57,375	\$23.73	88,500	\$23.57	89,875	\$23.57

\*weighted-average price

#### Stock Options Granted 2001

In 2001, 193,000 stock options were granted under the plan at the fair market value of the shares on the grant date. The options vest three years after the grant date and expire in ten years if not exercised. Exercise prices range from \$25.32 to \$25.98.

Great Plains Energy follows APB Opinion 25 to account for these options. No compensation cost is recognized because the option exercise price is equal to the market price of the underlying stock on the date of grant. Had compensation cost for the plan been recorded based on the fair value at the grant dates for awards as prescribed by SFAS No. 123, pro forma net income and earnings per share would not have been materially different than reported for 2001.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used to estimate the fair value of options granted in 2001: dividend yield of 6.37%; expected stock price volatility of 25.879%; risk-free interest rate of 5.53% and expected life of option of 9.2 years.

In 2001, 144,500 performance shares were awarded. The issuance of performance shares is contingent upon achievement, over a four-year period, of company and individual performance goals. Performance shares have an intrinsic value equal to the market price of a share on the date of grant. Pursuant to APB 25, expense is accrued for performance shares over the period services are performed, if attainment of the performance goals appears probable. As a result of the Company's 2001 results of operations, no compensation expense was recognized in 2001 related to the performance shares.

#### 4. INCOME TAXES

Income tax expense consisted of the following:

Great Plains Energy	2001	2000	1999
Current income taxes:		(thousands)	
Federal	\$(32,628)	\$ 76,076	\$ 31,439
State	1,304	10,928	2,978
Total	(31,324)	87,004	34,417
Deferred income taxes:			
Federal	9,785	(9,846)	(23,313)
State	(943)	(469)	(3,471)
Total	8,842	(10,315)	(26,784)
Investment tax credit amortization	(4,289)	(4,296)	(4,453)
Total income tax expense	(26,771)	72,393	3,180
Less: Deferred taxes on the cumulative effect of changes in accounting principles	-	19,227	-
Deferred taxes on early extinguishment of debt	9,143	-	-
Total	\$(35,914)	\$ 53,166	\$ 3,180
Consolidated KCP&L	2001	2000	1999
Current income taxes:		(thousands)	
Federal	\$ 17,601	\$ 76,076	\$ 31,439
State	4,109	10,928	2,978
Total	21,710	87,004	34,417
Deferred income taxes:			
Federal	18,968	(9,846)	(23,313)
State	3,042	(469)	(3,471)
Total	22,010	(10,315)	(26,784)
Investment tax credit amortization	(4,289)	(4,296)	(4,453)
Total income tax expense	39,431	72,393	3,180
Less: Deferred taxes on the cumulative effect of changes in accounting principles	-	19,227	-
Deferred taxes on early extinguishment of debt	9,143	-	-
Total	\$ 30,288	\$ 53,166	\$ 3,180



The effective income tax rates differed from the statutory federal rates mainly due to the following:

Great Plains Energy	2001	2000	1999
Federal statutory income tax rate	(35.0)%	35.0 %	35.0 %
Differences between book and tax			
depreciation not normalized	1.4	0.7	6.9
Proposed IRS Adjustment (see Note 18)	-	4.6	-
Amortization of investment tax credits	(8.4)	(1.9)	(5.2)
Federal income tax credits	(41.6)	(9.2)	(26.4)
State income taxes	0.5	2.9	(0.4)
Merger expenses	-	-	(3.8)
Valuation allowance	31.0	-	-
Other	(0.5)	(0.8)	(2.4)
Effective income tax rate	(52.6)%	31.3 %	3.7 %
Consolidated KCP&L	2001	2000	1999
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Differences between book and tax			
depreciation not normalized	0.5	0.7	6.9
Proposed IRS Adjustment (see Note 18)	-	4.6	-
Amortization of investment tax credits	(2.7)	(1.9)	(5.2)
Federal income tax credits	(10.6)	(9.2)	(26.4)
State income taxes	2.9	2.9	(0.4)
Merger expenses	-	-	(3.8)
Other	(0.3)	(0.8)	(2.4)
Effective income tax rate	24.8 %	31.3 %	3.7 %

The tax effects of major temporary differences resulting in deferred tax assets and liabilities in the balance sheets are as follows:

December 31	Great Plains Energy 2001	2000	Consolidated KCP&L 2001	2000
		(thousands)		
Plant related	\$ 533,521	\$530,600	\$533,521	\$530,600
Recoverable taxes	42,000	45,000	42,000	45,000
Pension and postretirement benefits	21,474	10,544	21,474	10,544
Tax credit carryforwards	(19,183)	-	-	-
Gas properties related	(9,535)	(21,071)	-	(21,071)
Nuclear fuel outage	(5,061)	(737)	(5,061)	(737)
AMT credit	(4,258)	-	-	-
Other	14,906	25,147	33,704	25,147
Net deferred tax liability before valuation allowance	573,864	589,483	625,638	589,483
Valuation allowance (see Note 17)	15,779	-	-	-
Net deferred tax liability	\$ 589,643	\$589,483	\$625,638	\$589,483

The net deferred income tax liability consisted of the following:

December 31	Great Plains Energy 2001	2000 (thousands)	Consolidated 2001	KCP&L 2000
Gross deferred income tax assets	\$(125,413)	\$(97,418)	\$(73,640)	\$(97,418)
Gross deferred income tax liabilities	715,056	686,901	699,278	686,901
Net deferred income tax liability	\$ 589,643	\$589,483	\$625,638	\$589,483

#### 5. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

On September 30, 2000, KLT Energy Services exercised an option to purchase 1,411,765 shares of Bracknell Corporation (Bracknell) common stock owned by Reardon Capital, L.L.C. (Reardon). KLT Energy Services received 1,136,789 common shares of Bracknell at \$4.25 per share and a warrant to purchase the remaining 274,976 shares at an exercise price of \$4.25 per share. On that date, the closing price of Bracknell stock was \$6.80 per share. Reardon had granted the option to KLT Energy Services in connection with the acquisition by Bracknell of an investment owned by KLT Energy Services and Reardon. In May 2001, KLT Energy Services exercised its warrant for 274,976 shares at \$4.25 per share and sold 278,600 shares of Bracknell common stock in June 2001 at \$4.48 per share.

KLT Energy Services classified its investment in Bracknell as a trading security and reflected such investment at its market price. At December 31, 2000, the market value of KLT Energy Service's investment in Bracknell was \$6.2 million or \$5.56 per Bracknell share. In November 2001, Bracknell common stock ceased trading at a last sale price of \$0.13 per share. As a result, during 2001, KLT Energy Services wrote off its investment in Bracknell.

Gregory Orman, President and Chief Executive Officer of KLT Energy Services owns 55% of the membership interests of Reardon in addition to 740,000 common shares (approximately 1%) of Bracknell. At December 31, 2001, Bracknell common stock is no longer traded.

In January of 1997, KLT Energy Services acquired approximately 71% of Custom Energy from Environmental Lighting Concepts. In February of 1999, Custom Energy acquired 100% of the outstanding ownership interest in Strategic Energy in exchange for 25% of the ownership interest in Custom Energy. Through a series of transactions, KLT Energy Services has increased its indirect ownership position in Strategic Energy to approximately 83% as of December 31, 2001. Environmental Lighting Concepts continues to own a 5.8% indirect ownership interest in Strategic Energy. Gregory Orman holds a 67% interest in Environmental Lighting Concepts.

#### 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 \$9.5 billion for claims that could arise from a single nuclear incident. The owners of Wolf Creek (the Owners) carry the maximum available commercial insurance of \$0.2 billion. Secondary Financial Protection, an assessment plan mandated by the NRC, provides insurance for the \$9.3 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 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 share) per incident

per year, excluding applicable premium taxes. The assessment, most recently revised in 1998, is subject to an inflation adjustment every five years based on the Consumer Price Index.

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

The Owners also carry \$2.8 billion (\$1.3 billion, KCP&L's share) of property damage, decontamination and premature decommissioning insurance for loss resulting from damage to the Wolf Creek facilities. 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 (see Note 1 - Nuclear Plant Decommissioning Costs).

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 \$10.7 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 and selected a site in northern Nebraska to locate a disposal facility. WCNOG 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 on its books at December 31, 2001 and 2000, was \$7.4 million.

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. This issue is being addressed in the courts. The passage of time, along with the appointment of a new state administration in Nebraska, has increased the chances for reversal of the license denial.

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 affect 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 rigid environmental regulations that could require substantial changes to operations or facilities at a significant cost. Expenditures made in 2001 to comply with environmental laws and regulations were not material in amount and are not expected to be material in the upcoming years with the exception of the issues discussed below.

#### Monitoring Equipment and Certain Air Toxic Substances

In July 2000, the National Research Council published its findings of a study under the 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 EPA announced it would propose Maximum Achievable Control Technology (MACT) requirements to reduce mercury emissions by December 2003 and issue final rules by December 2004. 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 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 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. The Appeals Court has not rendered a decision, and the new particulate standards have not been finalized. Without implementation of the regulations, the outcome cannot be determined, but 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 NOx emissions. These regulations initially called for 22 states, including Missouri, to submit plans for controlling NOx emissions. The regulations require a significant reduction in NOx 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 NOx reduction program based on the 1-hour NOx standard. On March 3, 2000, a three-judge panel of the District of Columbia Circuit of the U.S. Court of Appeals sent the NOx 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. This decision will likely delay the implementation of new NOx regulations by the EPA in the western portion of Missouri for some time.

If required to be implemented, KCP&L would need to incur significant capital costs, purchase power or purchase NOx 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 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.

#### Nuclear Fuel Commitments

As of December 31, 2001, KCP&L's portion of Wolf Creek nuclear fuel commitments included \$22.7 million for enrichment through 2006, \$57.5 million for fabrication through 2025 and \$3.8 million for uranium and conversion through 2003.

#### Coal Contracts

KCP&L's share of coal purchased under existing contracts was \$44.6 million in 2001, \$31.1 million in 2000, and \$33.3 million in 1999. Under these coal contracts, KCP&L's remaining share of purchase commitments totals \$65.7 million. Obligations for the years 2002 and 2003 based on estimated prices for those years, total \$48.5 million and \$17.2 million, respectively. The remainder of KCP&L's coal requirements will be fulfilled through spot market purchases.

#### Natural Gas Contracts

KCP&L has entered natural gas agreements for the purchase of natural gas to be used in the generation of electricity. At December 31, 2001, obligations under these agreements total \$2.6 million for 2002. The remainder of KCP&L's natural gas requirements will be fulfilled through spot market purchases.

#### Purchased Capacity Commitments

KCP&L purchases capacity from other utilities and nonutility suppliers. Purchasing capacity provides the option to purchase energy if needed or when market prices are favorable. This can be a cost-effective alternative to new construction. KCP&L capacity purchases totaled \$17.7 million in 2001, \$25.4 million in 2000 and \$25.9 million during 1999. As of December 31, 2001, contracts to purchase capacity totaled \$109.5 million through 2016. For the years 2002 through 2006, these commitments average \$14 million per year. Capacity sales contracts to supply municipalities in the years 2002 through 2006 average \$12 million. For the next five years, net capacity contracts average under 3% of KCP&L's 2001 total available capacity.

#### Strategic Energy Purchased Power Energy Commitments

Strategic Energy has entered into agreements to purchase electricity at various fixed prices to meet estimated supply requirements for 2002 through 2006. Commitments under these agreements total \$366.3 million in 2002, \$242.5 million in 2003, \$146.9 million in 2004, \$142.2 million in 2005 and \$17.1 million in 2006. See Note 15 for further discussion.

#### Leases

Consolidated expense for leases, excluding DTI, was about \$28 million during 2001, \$26 million during 2000 and \$22 million in 1999. The remaining rental commitments under leases total \$163.6 million ending in 2028. Obligations for the years 2002 through 2006 average \$16 million per year.

#### KCP&L Leases

KCP&L has a transmission line lease with another utility through September 2025 whereby, with FERC approval, the rental payments can be increased by the lessor. If this occurs and KCP&L is able to

secure an alternative transmission path, KCP&L can cancel the lease. Commitments under this lease total \$1.9 million per year and \$44.9 million over the remaining life of the lease if it is not canceled.

KCP&L's expense for other leases, including railcars, computer equipment, buildings, transmission line and other items, was about \$25 million per year for the last three years. The remaining rental commitments under these leases total \$159.4 million ending in 2028. Obligations for the years 2002 through 2006 average \$15 million per year. Capital leases are not material and are included in these amounts.

As the managing partner of three jointly-owned generating units, KCP&L has entered into leases for railcars to serve those units. KCP&L has reflected the entire lease commitment in the above amounts although about \$1.9 million per year (\$27.0 million total) will be reimbursed by the other owners.

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 megawatts of peaking capacity (the "Project"). The Trust is a special-purpose entity and has an aggregate financing commitment from third-party equity and debt participants (Investors) of \$200 million. In accordance with SFAS No. 13 "Accounting for Leases," and related EITF issues (including EITF Issue No. 90-15, "Impact of Non-substantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions" and EITF Issue No. 97-10, "The Effect of Lessee Involvement in Asset Construction"), the Project and related lease obligations are not included in KCP&L's consolidated balance sheet. The Lessor has appointed KCP&L as supervisory agent responsible for completing construction of the Project by no later than June 2004. The initial lease term is approximately three and one quarter years, beginning at the date of construction completion, which is expected to be October 2003. 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. If KCP&L does not elect the sale option, KCP&L must either extend the lease, if it can obtain the consent of the Lessor, or purchase the Project for the then outstanding project cost. KCP&L also has contingent obligations to the Lessor upon an event of a default during both the construction period and lease period. Upon a default in the construction period, KCP&L's maximum obligation to the Lessor equals (i) in the circumstances of bankruptcy, fraud, illegal acts, misapplication of funds and willful misconduct, 100% of then-incurred project costs, and (ii) in all other circumstances, an amount which may be up to 89.9% of then-incurred project costs that are capitalizable in accordance with GAAP. At December 31, 2001, project costs were approximately \$62.7 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, totals approximately \$35.5 million in the aggregate.

#### KLT Inc. Leases

KLT Inc. and its subsidiaries have entered operating leases for buildings, compressors, communications equipment and other items. KLT Inc.'s expense recorded for these leases was about \$1 million per year during both 2001 and 2000. KLT Inc. and its subsidiaries had no leases in 1999. Obligations average about \$1 million per year for the years 2002 through 2004 and \$0.5 million per year for the years 2005 and 2006.

#### Guaranteed Savings Energy Management Agreements

KCP&L is contingently liable for guaranteed energy savings under agreements with several customers. KCP&L has entered agreements guaranteeing an aggregate value of approximately \$14.7 million over the next nine years. In most cases a subcontractor would indemnify KCP&L for any payments made by KCP&L under these guarantees.

## 7. HSS PURCHASE OF AN ADDITIONAL OWNERSHIP INTEREST IN RSAE

On March 12, 2001, HSS acquired control of RSAE by acquiring an additional 22.1% of the shares of RSAE for \$0.6 million.

This acquisition has been accounted for by the purchase method of accounting and the operating results of RSAE have been included in the KCP&L's consolidated financial statements from January 1, 2001, with the appropriate adjustments to minority interest from January 1, 2001, through the date of the acquisition. RSAE's December 31, 2001, assets included \$23.0 million of goodwill, which was being amortized over 40 years. On a pro forma basis, as if the business had been acquired at the beginning of fiscal 2000, revenue, net income and earnings per share would not differ materially from the amounts reported in the KCP&L's year ended December 31, 2000, consolidated financial statements.

## 8. EQUITY METHOD INVESTMENTS

See Note 17 for information regarding 2001 activity in KLT Telecom's investment in DTI.

**Sale of KLT Investments II Inc.'s Ownership of Downtown Hotel Group**  
On May 31, 2001, KLT Investments II Inc. sold its 25% ownership of Kansas City Downtown Hotel Group, L.L.C. for total proceeds of \$3.8 million resulting in a \$2.2 million gain before income taxes. The after income tax gain on the sale was \$1.4 million (\$0.02 per share). The carrying value of this equity method investment at December 31, 2000, was included in Other in the table below.

### Sale of KLT Gas Properties

On June 28, 2001, KLT Gas sold its 50% ownership in Patrick KLT Gas, LLC for total proceeds of \$42.3 million resulting in a \$20.1 million gain before income taxes. The after income tax gain on the sale was \$12.0 million (\$0.19 per share).

After the acquisition of majority ownership in RSAE (see Note 7) and the sales of the equity method investments discussed above, the Company has no remaining equity method investments other than affordable housing limited partnerships held by KLT Investments. Equity method investments at December 31, 2000, excluding affordable housing limited partnerships, consisted of the following:

Name of Company	Common Ownership Percentage 2000	Carrying Value December 31, 2000 (thousands)
DTI	47%	\$ -
Patrick KLT Gas, LLC	50%	21,744
RSAE	49%	6,750
Other	Various	1,786
Total equity method investments		\$30,280

Summarized financial information supplied to us by companies in which the consolidated company had an equity investment was as follows:

December 31	2000
	(thousands)
Current assets	\$ 36,368
Non-current assets	498,133
Total Assets	\$ 534,501

Current liabilities	\$ 74,616
Non-current liabilities	460,786
Equity	(901)
Total Liabilities and Equity	\$ 534,501

Revenues	\$ 153,211
Costs and expenses	225,665
Net Loss	\$ (72,454)

December 31	2000
	(thousands)
Consolidated share of net loss	\$ (36,707)
Less: DTI losses not recorded by KLT Telecom after the investment was reduced to zero	(18,768)
Consolidated net loss recorded	(17,939)
Affordable housing equity losses	(1,502)
Total losses from equity investments	\$ (19,441)



## 9. SEGMENT AND RELATED INFORMATION

### Great Plains Energy

Great Plains Energy reportable segments are strategic business units. KCP&L is the regulated electric utility. KLT Inc. and HSS are subsidiary holding companies for various unregulated business ventures. Other includes the operations of GPP, unallocated corporate charges and intercompany eliminations. The summary of significant accounting policies applies to all of the segments. Segment performance is evaluated based on net income.

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

2001	KCP&L	HSS	KLT Inc. (millions)	Other	Great Plains Energy
Operating revenues	\$ 967.5	\$ 66.2	\$ 428.2	\$ -	\$ 1,461.9
Fuel expense	(163.8)	-	-	-	(163.8)
Purchased power expense	(65.2)	-	(329.0)	-	(394.2)
Other (a)	(365.1)	(70.8)	(79.8)	(0.8)	(516.5)
Depreciation and depletion	(136.3)	(2.4)	(20.1)	-	(158.8)
Loss on property	(0.2)	(1.4)	(169.8)	-	(171.4)
Loss from equity investments	-	(0.1)	(0.3)	-	(0.4)
Other income and expenses	(9.2)	4.3	(24.2)	(0.4)	(29.5)
Interest charges	(78.1)	(1.7)	(23.8)	0.3	(103.3)
Income taxes	(51.6)	0.3	86.9	0.3	35.9
Early extinguishment of debt	-	-	15.9	-	15.9
Net income (loss)	\$ 98.0	\$ (5.6)	\$(116.0)	\$(0.6)	\$ (24.2)

Favorable/(unfavorable) variance between 2001 and 2000	KCP&L	HSS	KLT Inc. (millions)	Other	Great Plains Energy
Operating revenues	\$ 15.5	\$ 62.4	\$ 268.1	\$ -	\$ 346.0
Fuel expense	(10.7)	-	-	-	(10.7)
Purchased power expense	40.5	-	(244.6)	-	(204.1)
Other (a)	17.3	(65.3)	(20.6)	(0.8)	(69.4)
Depreciation and depletion	(12.0)	(0.7)	(13.7)	-	(26.4)
Gain (loss) on property	(3.7)	12.0	(278.8)	-	(270.5)
Loss from equity investments	-	6.5	12.5	-	19.0
Other income and expenses	7.1	2.5	(23.8)	0.1	(14.1)
Interest charges	(15.3)	(1.2)	(10.9)	(0.2)	(27.6)
Income taxes	1.3	(8.3)	95.8	0.3	89.1
Early extinguishment of debt	-	-	15.9	-	15.9
Cumulative effect of changes in pension accounting	(30.1)	-	-	-	(30.1)
Net income (loss)	\$ 9.9	\$ 7.9	\$(200.1)	\$(0.6)	\$ (182.9)

2000	KCP&L	HSS	KLT Inc. (millions)	Other	Great Plains Energy
Operating revenues	\$ 952.0	\$ 3.8	\$ 160.1	\$ -	\$ 1,115.9
Fuel expense	(153.1)	-	-	-	(153.1)
Purchased power expense	(105.7)	-	(84.4)	-	(190.1)
Other (a)	(382.4)	(5.5)	(59.2)	-	(447.1)
Depreciation and depletion	(124.3)	(1.7)	(6.4)	-	(132.4)
Gain (loss) on property	3.5	(13.4)	109.0	-	99.1
Loss from equity investments	-	(6.6)	(12.8)	-	(19.4)
Other income and expenses	(16.3)	1.8	(0.4)	(0.5)	(15.4)
Interest charges	(62.8)	(0.5)	(12.9)	0.5	(75.7)
Income taxes	(52.9)	8.6	(8.9)	-	(53.2)
Cumulative effect of changes in pension accounting	30.1	-	-	-	30.1
Net income (loss)	\$ 88.1	\$(13.5)	\$ 84.1	\$ -	\$ 158.7

Favorable/(unfavorable) variance between 2000 and 1999	KCP&L	HSS	KLT Inc. (millions)	Other	Great Plains Energy
Operating revenues	\$ 54.6	\$ 0.5	\$ 139.3	\$ -	\$ 194.4
Fuel expense	(23.8)	-	-	-	(23.8)
Purchased power expense	(11.0)	-	(84.4)	-	(95.4)
Other (a)	(29.9)	(1.7)	(28.2)	-	(59.8)
Depreciation and depletion	(5.9)	(0.1)	(3.1)	-	(9.1)
Gain (loss) on property	3.5	(13.4)	110.2	-	100.3
Loss from equity investments	-	(2.7)	8.2	-	5.5
Other income and expenses	(7.5)	1.5	(1.5)	(0.5)	(8.0)
Interest charges	(6.4)	(0.5)	(1.0)	0.5	(7.4)
Income taxes	(2.5)	6.6	(54.1)	-	(50.0)
Cumulative effect of changes in pension accounting	30.1	-	-	-	30.1
Net income (loss)	\$ 1.2	\$(9.8)	\$ 85.4	\$ -	\$ 76.8

1999	KCP&L	HSS	KLT Inc. (millions)	Other	Great Plains Energy
Operating revenues	\$ 897.4	\$ 3.3	\$ 20.8	\$ -	\$ 921.5
Fuel expense	(129.3)	-	-	-	(129.3)
Purchased power expense	(94.7)	-	-	-	(94.7)
Other (a)	(352.5)	(3.8)	(31.0)	-	(387.3)
Depreciation and depletion	(118.4)	(1.6)	(3.3)	-	(123.3)
Loss on property	-	-	(1.2)	-	(1.2)
Loss from equity investments	-	(3.9)	(21.0)	-	(24.9)
Other income and expenses	(8.8)	0.3	1.1	-	(7.4)
Interest charges	(56.4)	-	(11.9)	-	(68.3)
Income taxes	(50.4)	2.0	45.2	-	(3.2)
Net income (loss)	\$ 86.9	\$(3.7)	\$ (1.3)	\$ -	\$ 81.9

(a) Other includes gas purchased and production expenses, telecommunications expenses, other operating, maintenance and general tax expenses.

The following table provides additional detail on the operations of the KLT Inc. segment.

2001	DTI(a)	SEL(a)	KLT Gas (millions)	Other	KLT Inc.
Operating revenues	\$ 15.9	\$ 411.9	\$ 0.3	\$ 0.1	\$ 428.2
Purchased power expense	-	(329.0)	-	-	(329.0)
Other	(23.8)	(38.7)	(9.4)	(7.9)	(79.8)
Depreciation and depletion	(17.9)	(0.3)	(1.8)	(0.1)	(20.1)
Gain (loss) on property	(195.8)	-	23.8	2.2	(169.8)
Loss from equity investments	-	-	1.0	(1.3)	(0.3)
Other income and expenses	0.9	(6.4)	0.3	(19.0)	(24.2)
Interest charges	(27.8)	(0.5)	-	4.5	(23.8)
Income taxes	74.7	(15.2)	0.1	27.3	86.9
Early extinguishment of debt	15.9	-	-	-	15.9
Net income (loss)	\$(157.9)	\$ 21.8	\$ 14.3	\$ 5.8	\$(116.0)

2000	DTI(a)	SEL(a)	KLT Gas (millions)	Other	KLT Inc.
Operating revenues	\$ -	\$129.6	\$ 30.5	\$ -	\$ 160.1
Purchased power expense	-	(84.4)	-	-	(84.4)
Other	-	(30.9)	(22.3)	(6.0)	(59.2)
Depreciation and depletion	-	(0.4)	(6.0)	-	(6.4)
Gain on property	-	-	107.9	1.1	109.0
Loss from equity investments	(14.4)	-	3.6	(2.0)	(12.8)
Other income and expenses	-	(4.2)	5.3	(1.5)	(0.4)
Interest charges	-	(0.2)	(3.5)	(9.2)	(12.9)
Income taxes	5.2	(3.6)	(36.3)	25.8	(8.9)
Net income (loss)	\$ (9.2)	\$ 5.9	\$ 79.2	\$ 8.2	\$ 84.1

1999	DTI(a)	SEL(a)	KLT Gas (millions)	Other	KLT Inc.
Operating revenues	\$ -	\$ -	\$ 17.3	\$ 3.5	\$ 20.8
Purchased power expense	-	-	-	-	-
Other	-	-	(16.0)	(15.0)	(31.0)
Depreciation and depletion	-	-	(3.2)	(0.1)	(3.3)
Gain (loss) on property	-	-	(2.9)	1.7	(1.2)
Loss from equity investments	(22.2)	3.5	(2.6)	0.3	(21.0)
Other income and expenses	-	-	0.1	1.0	1.1
Interest charges	-	-	(1.2)	(10.7)	(11.9)
Income taxes	8.0	(1.3)	11.8	26.7	45.2
Net income (loss)	\$ (14.2)	\$ 2.2	\$ 3.3	\$ 7.4	\$ (1.3)

(a) KLT Inc. acquired a majority ownership in Strategic Energy during the second quarter of 2000 and in DTI in February 2001. Prior to this, the investments in Strategic Energy and DTI were recorded on an equity basis. In the second quarter of 2000, Strategic Energy was included in the consolidated financial statements from January 1, 2000, with the appropriate adjustments to minority interest from January 1, 2000, through the date of the acquisition.

Consolidated KCP&L

On October 1, 2001, consolidated KCP&L dividdened its ownership interest in KLT Inc. and GPP to Great Plains Energy. As a result, those companies are direct subsidiaries of Great Plains Energy and are not included in consolidated KCP&L's results of operations and financial position since October 1, 2001. See Note 1 for additional information about the formation of the holding company.

The tables below reflect 2001 summarized financial information concerning consolidated KCP&L's reportable segments. For the years ended 2000 and 1999, consolidated KCP&L's segment information is identical to the Great Plains Energy segment information presented above.

2001	KCP&L	HSS	Subsidiaries transferred to Great Plains Energy (millions)	Consolidated KCP&L
Operating revenues	\$ 967.5	\$ 66.2	\$ 317.2	\$ 1,350.9
Fuel expense	(163.8)	-	-	(163.8)
Purchased power expense	(65.2)	-	(239.7)	(304.9)
Other (a)	(365.1)	(70.8)	(60.7)	(496.6)
Depreciation and depletion	(136.3)	(2.4)	(14.3)	(153.0)
Gain (loss) on property	(0.2)	(1.4)	23.7	22.1
Loss from equity investments	-	(0.1)	(0.4)	(0.5)
Other income and expenses	(9.2)	4.3	(17.5)	(22.4)
Interest charges	(78.1)	(1.7)	(17.8)	(97.6)
Income taxes	(51.6)	0.3	20.9	(30.4)
Early extinguishment of debt	-	-	15.9	15.9
Net income (loss)	\$ 98.0	\$(5.6)	\$ 27.3	\$ 119.7

(a) Other includes gas purchased and production expenses, telecommunications expenses, other operating, maintenance and general tax expenses.

2001	KCP&L	HSS	KLT Inc. (millions)	Other	Consolidated
Assets	\$ 3,089.4	\$ 53.9	\$ 319.1	\$ 2.0	\$ 3,464.4
Capital and investment expenditures	265.8	1.1	105.7	1.7	374.3
2000					
Assets	\$ 2,980.9	\$ 25.3	\$ 287.7	-	\$ 3,293.9
Net equity method investments (b)	-	6.8	23.5	-	30.3
Capital and investment expenditures	406.1	0.3	75.6	-	482.0
1999					
Assets	\$ 2,672.3	\$ 50.0	\$ 267.8	-	\$ 2,990.1
Net equity method investments (b)	-	25.6	25.6	-	51.2
Capital and investment expenditures	184.6	25.7	61.3	-	271.6

(b) Excluding affordable housing limited partnerships.

10. GOODWILL AND INTANGIBLE PROPERTY

SFAS No. 142, "Goodwill and Other Intangible Assets"

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company will adopt SFAS No. 142 on January 1, 2002. Under the new pronouncement, goodwill will be assigned to

reporting units and an initial impairment test (comparison of the fair value of a reporting unit to its carrying amount) will be done on all goodwill within six months of initially applying the statement and then at least annually, thereafter. Also, goodwill will no longer be amortized. Although the Company has not completed the analysis required by SFAS No. 142, management currently does not anticipate an impairment of goodwill. Goodwill, net of amortization, reported on Great Plains Energy's Consolidated Balance Sheets totaled \$23.0 million associated with HSS' ownership interest in RSAE and \$14.1 million associated with KLT Energy Services ownership interest in Strategic Energy at December 31, 2001, and \$11.5 million related to the ownership interest in Strategic Energy at December 31, 2000. The goodwill associated with HSS' ownership interest in RSAE is also reflected on KCP&L's consolidated balance sheet.

#### Intangible Property

KCP&L electric utility plant on the consolidated balance sheets included intangible computer software of \$48.2 million, net of accumulated depreciation of \$33.0 million, in 2001 and \$51.2 million, net of accumulated depreciation of \$21.7 million, in 2000.

KLT Inc. gas property and investments on the consolidated balance sheets included intangible drilling costs of \$17.7 million in 2001 and \$7.0 million in 2000.

Other nonutility property and investments on the consolidated balance sheets included intangible computer software and other intangible property of \$1.7 million, net of accumulated depreciation of \$0.2 million, in 2001 and \$0.7 million, net of accumulated depreciation in 2000.

#### 11. RECEIVABLES

	December 31	
	2001	2000
	(thousands)	
KCP&L Receivable Corporation	\$ 25,723	\$ 48,208
KCP&L other receivables	36,788	67,148
Consolidated KCP&L receivables	62,511	115,356
Great Plains Energy other receivables	89,603	-
Great Plains Energy receivables	\$152,114	\$115,356

In 1999, KCP&L entered into a revolving agreement to sell all of its right, title and interest in the majority of its customer accounts receivable to KCP&L Receivable Corporation, a special purpose entity established to purchase customer accounts receivable from KCP&L expiring in October 2002. The Company expects the agreement to be renewed annually. KCP&L Receivable Corporation has sold receivable interests to outside investors. In consideration of the sale, KCP&L received \$60 million in cash in 2000 increasing to \$70 million in 2001 and the remaining balance in the form of a subordinated note from KCP&L Receivable Corporation. The agreement is structured as a true sale under which the creditors of KCP&L Receivable Corporation are entitled to be satisfied out of the assets of KCP&L Receivable Corporation prior to any value being returned to KCP&L or its creditors. Accounts receivable sold under the agreement totaled \$95.7 million at December 31, 2001 and \$108.2 million at December 31, 2000.

Administrative costs associated with the sale of customer accounts receivable of approximately \$2.7 million for the year ended December 31, 2001, approximately \$4.3 million for the year ended 2000 and approximately \$3.5 million for the year ended 1999, were included in Other income and expenses.

KCP&L other receivables at December 31, 2001, consist primarily of receivables from partners in jointly-owned electric utility plants, bulk power sales receivables and accounts receivable held by RSAE and Worry Free. Great Plains Energy other receivables at December 31, 2001, consist of accounts receivable held by KLT Inc. and its subsidiaries, including receivables of \$85.0 million held by Strategic

Energy. Other receivables at December 31, 2000, consist primarily of receivables from partners in jointly-owned electric utility plants, bulk power sales receivables and accounts receivable held by subsidiaries.

## 12. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT

In October 2001, Great Plains Energy entered into a \$110 million bridge revolving credit facility with tiered pricing based on the credit rating of Great Plains Energy's unsecured long-term debt securities. Later in 2001, this facility was increased to \$129 million. At December 31, 2001, Great Plains Energy had \$124 million of outstanding borrowings under this facility with a weighted-average interest rate of 3.0%. This facility terminates on February 28, 2002. Great Plains Energy is in the process of syndicating a 364-day, revolving credit facility for up to \$225 million with a group of banks to replace the bridge facility. The new facility will be used for general corporate purposes.

In 2001, Strategic Energy entered into a \$5 million, variable interest rate line of credit that expires in December 2002. The line is secured by the deposits, moneys, securities, and other property in the possession of the lender. There were no outstanding borrowings under this agreement as of December 31, 2001. In January 2002, Strategic Energy increased this line of credit to \$15 million.

KCP&L's short-term borrowings consist of funds borrowed from banks or through the sale of commercial paper as needed. The weighted-average interest rate on the \$62.0 million of commercial paper outstanding as of December 31, 2001, was 3.2%. The weighted-average interest rate on the \$55.6 million of commercial paper outstanding as of December 31, 2000, was 7.1%. Under minimal fee arrangements, KCP&L's short-term bank lines of credit totaled \$196.0 million with \$134.0 million unused as of December 31, 2001, and \$255.0 million with \$199.4 million unused as of December 31, 2000.

RSAE has a \$22.0 million short-term bank credit agreement. Great Plains Energy has entered into a support agreement with RSAE and the lender that ensures adequate capital to operate RSAE. At December 31, 2001, RSAE had \$20.4 million of outstanding borrowings under the agreement with a weighted-average interest rate of 6.8%.

## 13. LONG-TERM DEBT AND EIRR BONDS CLASSIFIED AS CURRENT LIABILITIES

### KCP&L General Mortgage Bonds

KCP&L has issued mortgage bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented. The Indenture creates a mortgage lien on substantially all utility plant. Mortgage bonds secure \$364.8 million of medium-term notes and EIRR bonds (see discussion below). KCP&L is prohibited from issuing additional mortgage bonds while its unsecured medium-term notes are outstanding and remain unsecured. KCP&L has \$200.0 million of these notes outstanding which mature in March 2002.

During the third quarter 2001, KCP&L remarketed \$48.3 million of its \$158.8 million secured EIRR bonds due 2012-23 at a fixed rate of 3.90% through August 31, 2004. See discussion of \$31.0 million, remarketed weekly, below. The rest of the secured EIRR bonds are in a 35-day, dutch auction mode.

### KCP&L Unsecured Notes

KCP&L has a total of \$196.5 million of unsecured EIRR bonds outstanding. Series C, \$50 million due 2017, has a fixed rate of 4.50% through August 31, 2003. See discussion of series A, B and D (classified as current liabilities) below. During 2001, KCP&L issued \$150 million of unsecured senior notes increasing the outstanding unsecured senior notes to a total of \$400 million.

#### KCP&L EIRR Bonds Classified as Current Liabilities

A \$31.0 million variable-rate, secured EIRR bond with a final maturity in 2017 is remarketed on a weekly basis, with full liquidity support provided by a 364-day credit facility with one bank. This facility requires KCP&L to represent, as both a condition to renewal and prior to receiving any funding under the facility, that no Material Adverse Change has occurred. KCP&L's available liquidity under this credit line is not impacted by a decline in credit ratings unless the downgrade occurs in the context of a merger, consolidation, or sale. Additionally, in 2001 KCP&L remarketed three series of unsecured EIRR bonds at a fixed rate of 3.25% through August 29, 2002; its series A and B, \$106.5 million due 2015, and series D, \$40.0 million due 2017. If those bonds to be remarketed in less than one-year could not be remarketed, KCP&L would be obligated to either purchase or retire the bonds. Even though such an occurrence is unlikely, the \$177.5 million of bonds discussed above are classified as current liabilities on the balance sheets for the current year and the prior year has been reclassified to be consistent with the current year presentation.

#### KLT Inc. Long-Term Debt

KLT Investments' affordable housing notes are collateralized by the affordable housing investments. Most of the notes also require the greater of 15% of the outstanding note balances or the next annual installment to be held as cash, cash equivalents or marketable securities. The equity securities held as collateral for these notes are included in other investments and nonutility property on the consolidated balance sheets.

#### Scheduled Maturities

Great Plains Energy's long-term debt maturities for the years 2002 through 2006 are \$239 million, \$31 million, \$60 million, \$293 million and \$11 million, respectively. These amounts include consolidated KCP&L's long-term debt maturities for the years 2002 through 2006 of \$227 million, \$22 million, \$56 million, \$290 million and \$9 million, respectively. EIRR bonds classified as current liabilities discussed above are considered due in 2015 and 2017 for the scheduled maturities.

#### 14. COMMON STOCK EQUITY, PREFERRED STOCK, REDEEMABLE PREFERRED STOCK AND MANDATORILY REDEEMABLE PREFERRED SECURITIES

##### Common Stock Equity

Effective October 1, 2001, all outstanding KCP&L shares of common stock were exchanged one for one for shares of Great Plains Energy. Great Plains Energy has shares of common stock registered with the Securities and Exchange Commission for a Dividend Reinvestment and Stock Purchase Plan (the Plan). The Plan allows for the purchase of common shares by reinvesting dividends or making optional cash payments. Great Plains Energy currently purchases shares for the Plan on the open market.

As of December 31, 2001, the Company held 35,916 shares of its common stock to be used for future distribution and 60,841 shares were held as of December 31, 2000. The cost of these shares is included in other investments and nonutility property on the consolidated balance sheets.

The Restated Articles of Consolidation contain a restriction related to the payment of dividends in the event common equity falls to 25% of total capitalization. If preferred stock dividends are not declared and paid when scheduled, Great Plains Energy could not declare or pay common stock dividends or purchase any common shares. If the unpaid preferred stock dividends equal four or more full quarterly dividends, the preferred shareholders, voting as a single class, could elect the smallest number of Directors necessary to constitute a majority of the full Board of Directors.

##### Preferred Stock and Redeemable Preferred Stock

During 2001, KCP&L redeemed its redeemable 4% Cumulative Preferred Stock. Shares outstanding totaled 6,357 as of December 31, 2000. Scheduled mandatory sinking fund requirements for the issue

were 1,600 per year. Shares held by KCP&L to meet future sinking fund requirements totaled 5,734 as of December 31, 2000. The cost of these shares held by KCP&L was reflected as a reduction of the capital account.

Effective October 1, 2001, all shares of KCP&L preferred stock were converted to Great Plains Energy preferred stock. As of December 31, 2001, 0.4 million shares of \$100 par Cumulative Preferred Stock, 1.6 million shares of Cumulative No Par Preferred Stock and 11 million shares of no par Preference Stock were authorized. Great Plains Energy has the option to redeem the \$39.0 million of issued Cumulative Preferred Stock at prices approximating par or stated value.

#### Mandatorily Redeemable Preferred Securities

In 1997, KCP&L Financing I (Trust) issued \$150,000,000 of 8.3% preferred securities. The sole asset of the Trust is the \$154,640,000 principal amount of 8.3% Junior Subordinated Deferrable Interest Debentures, due 2037, issued by KCP&L. The terms and interest payments on these debentures correspond to the terms and dividend payments on the preferred securities. KCP&L deducts these payments for tax purposes. KCP&L may elect to defer interest payments on the debentures for a period up to 20 consecutive quarters, causing dividend payments on the preferred securities to be deferred as well. In case of a deferral, interest and dividends will continue to accrue, along with quarterly compounding interest on the deferred amounts. KCP&L may redeem all or a portion of the debentures after March 31, 2002. If KCP&L redeems all or a portion of the debentures, the Trust must redeem an equal amount of preferred securities at face value plus accrued and unpaid distributions. The back-up undertakings in the aggregate provide a full and unconditional guarantee of amounts due on the preferred securities.

#### 15. DERIVATIVE FINANCIAL INSTRUMENTS

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. 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.

SFAS No. 133 requires that as of the date of initial adoption, the difference between the fair market value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as a cumulative effect of a change in accounting principle. The adoption of SFAS No. 133 on January 1, 2001, required the Company to record a \$0.2 million expense, net of \$0.1 million of income tax. The Company did not reflect this immaterial amount as a cumulative effect. This entry increased interest expense by \$0.6 million and reduced purchased power expense by \$0.3 million. The Company also recorded \$17.4 million, net of \$12.6 million of income tax, as a cumulative effect of a change in accounting principle applicable to comprehensive income for its cash flow hedges.

#### 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 minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility on a portion of its variable rate debt. 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 Risk Management Committees.

#### Interest Rate Risk Management

KCP&L utilizes interest rate management derivatives to reduce a portion of KCP&L's interest rate risk by converting a portion of its variable interest rate payments into fixed interest rate payments.

In 2000, KCP&L issued \$200 million of unsecured, floating rate medium-term notes. Simultaneously, KCP&L entered into interest rate cap agreements to hedge the interest rate risk on the notes. The cap agreements are designated as cash flow hedges. The difference between the fair market value of the cap agreements recorded on the balance sheet at initial adoption and the unamortized premium was reported in interest expense.

KCP&L entered into interest rate swap agreements to limit the interest rate on \$30 million of long-term debt. These swaps do not qualify for hedge accounting. The swap agreements mature in 2003 and effectively fix the interest to a weighted-average rate of 3.88%. The fair market values of these agreements are recorded as current assets and liabilities and adjustments to interest expense on the income statement. Changes in the fair market value of these instruments are recorded 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 its projected gas requirements for native and firm sales. These hedging instruments are designated as cash flow hedges. The fair market value of these instruments is recorded as current assets and 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 are 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. Supplying electricity to retail customers under fixed rate contracts requires Strategic Energy to match customers' demand with fixed price purchases. In certain markets where Strategic Energy operates, there is limited availability of forward fixed price power contracts. 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 comprehensive income(loss). At December 31, 2001, the accumulated comprehensive loss, net of income taxes and minority interest, reflected in Great Plains Energy's consolidated statement of capitalization reflected a \$11.7 million loss related to such cash flow hedges. However, most 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 incurring any of the losses represented in comprehensive income.

The remaining swap agreements do not qualify for hedge accounting. The fair market value of these swaps at January 1, 2001, was recorded as an asset or liability on the consolidated balance sheet and an adjustment to the cost of purchased power. The change in the fair market value and future changes in the fair market values of these swaps will also be recorded in purchased power.

An option that was designated as a cash flow hedge expired on December 31, 2001. The option allowed Strategic Energy to purchase up to 270 megawatts of power at a fixed rate of \$21 per mwh. The fair market value of this option and the swap agreements designated as cash flow hedges at January 1, 2001, was recorded as a current asset and a cumulative effect of a change in accounting principle in comprehensive income. When the power is purchased and to the extent the hedge is effective at mitigating the cost of purchased power, the amounts accumulated in other comprehensive income are reclassified to the consolidated income statement. However, most 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 will not receive income or losses to the extent represented in comprehensive income in the current or future periods. 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.

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. These hedging instruments are designated as cash flow hedges. The fair market value of these instruments at January 1, 2001, was recorded as current assets and current liabilities, as applicable, and the cumulative effect of a change in an accounting principle in comprehensive income. When the gas is sold and to the extent the hedge is effective at mitigating the impact of a change in the sales 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 are recorded directly in gas revenues.

KLT Gas unwound the majority of its gas hedge derivatives with an offsetting swap transaction during the second quarter of 2001 primarily due to declining production at its gas properties. This transaction does not qualify for hedge accounting. The fair market value of the swap has been recorded in gas revenues. Future changes in the fair market value of this swap will also be recorded in gas revenues.

KCP&L has eight capacity contracts it considers to be normal purchases and sales and not derivatives in accordance with GAAP. During the fourth quarter of 2001, FASB cleared new implementation guidelines that will be applied in the second quarter of 2002. KCP&L is still evaluating its capacity contracts under the new guidelines, but does not expect the contracts to be considered derivatives under the new guidelines.

The amounts recorded related to the cash flow hedges are summarized below.

Great Plains Energy activity for 2001

	Cumulative Effect to January 1, 2001	Increase (Decrease) in Comprehensive Income	Reclassified	December 31 2001
Balance Sheet Classification				
(millions)				
Assets				
Other current assets	\$ 44.5	\$(20.6)	\$(24.1)	\$(0.2)
Liabilities and capitalization				
Other current liabilities	(6.8)	(20.8)	14.9	(12.7)
Other comprehensive income	(17.4)	25.6	3.9	12.1
Deferred income taxes	(12.7)	18.1	3.1	8.5
Other deferred credits	(7.6)	(2.3)	2.2	(7.7)

## KCP&amp;L activity for 2001

Balance Sheet Classification	Cumulative Effect to January 1, 2001	Increase (Decrease) in Comprehensive Income	Reclassified (millions)	Transferred to Great Plains Energy	December 31 2001
Assets					
Other current assets	\$ 44.5	\$(20.6)	\$(24.1)	\$ -	\$(0.2)
Liabilities and capitalization					
Other current liabilities	(6.8)	(15.7)	7.4	15.0	(0.1)
Other comprehensive income	(17.4)	23.4	7.6	(13.4)	0.2
Deferred income taxes	(12.7)	16.6	5.6	(9.4)	0.1
Other deferred credits	(7.6)	(3.7)	3.5	7.8	-

## 16. JOINTLY-OWNED ELECTRIC UTILITY PLANTS

KCP&L's share of jointly-owned electric utility plants as of December 31, 2001, is as follows (in millions of dollars):

	Wolf Creek Unit 47%	LaCygne Units 50%	Iatan Unit 70%
KCP&L's share			
Utility plant in service	\$ 1,360	\$ 327	\$ 253
Estimated accumulated depreciation (production plant only)	\$ 540	\$ 217	\$ 163
Nuclear fuel, net	\$ 34	-	-
KCP&L's accredited capacity-megawatts	550	681	469

Each owner must fund its own portion of the plant's operating expenses and capital expenditures. KCP&L's share of direct expenses is included in the appropriate operating expense classifications in the income statement.

## 17. DTI HOLDINGS, INC. AND SUBSIDIARIES

On December 31, 2001, a subsidiary of KLT Telecom, DTI Holdings, Inc. (Holdings) and its subsidiary Digital Teleport Inc. (collectively called DTI), filed voluntary petitions in Bankruptcy Court for the Eastern District of Missouri for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The filings enable DTI to continue to conduct its business operations while restructuring its financial obligations. DTI is a telecommunications company headquartered in St. Louis that focuses on providing access and connectivity to secondary and tertiary markets. KLT Telecom has agreed to provide up to \$5 million in DIP financing to Digital Teleport Inc. during the bankruptcy process if it achieves certain financial goals. If KLT Telecom provides loans under this DIP financing agreement, it will have priority repayment over most other DTI obligations.

KLT Telecom originally acquired a 47% interest in DTI in 1997. On February 8, 2001, KLT Telecom acquired control of DTI by purchasing shares from the majority shareholder, Richard D. Weinstein (Weinstein) increasing its ownership to 83.6%. In connection with the February 8, 2001 purchase agreement, KLT Telecom granted Weinstein a put option. The put option allows Weinstein to sell his remaining shares to KLT Telecom during a period beginning September 1, 2003, and ending August 31, 2005. The shares shall have an aggregate exercise price equal to the fair market of the shares with an aggregate floor amount of \$15 million. The put option has negligible value at December 31,

2001, because of the bankruptcy of DTI and prior to December 31, 2001, because of the contract provisions.

Prior to items discussed below, KLT Telecom's remaining \$175.2 million investment in DTI included a February 1, 2001, \$94 million loan to Holdings, the proceeds of which were used to repurchase a portion of its Senior Discount Notes, and \$47 million in loans to Digital Teleport Inc. under various arrangements. The \$47 million of loans are secured, to the extent permitted by law or agreement, by Digital Teleport Inc.'s assets. In December 2001, KLT Telecom converted \$84 million of the \$94 million loan, plus accrued interest of \$8.5 million, to an equity contribution.

The Company obtained from legal counsel, an opinion which stated that based upon and subject to the analysis, limitations and qualifications set forth in the opinion, that they are of the opinion that a court applying Missouri law and acting reasonably in a properly presented and argued case would hold that the corporate veil of DTI would not be pierced with respect to Great Plains Energy and its subsidiaries and therefore neither Great Plains Energy nor the subsidiaries would be required to fund, beyond KLT Telecom's current equity investment in or loans to DTI, directly, indirectly or through guarantees, any of the present, past or future liabilities, commitments or obligations of DTI except for the DIP loan and certain performance bonds.

The operating results of DTI have been included for the period February 8, 2001, (date of acquisition) through September 30, 2001, for consolidated KCP&L and through December 31, 2001, for Great Plains Energy.

During the fourth quarter of 2001, the following have been recognized in the financial statements of Great Plains Energy related to the activities of DTI:

- Wrote off \$60.8 million of goodwill related to the purchase of DTI in February 2001.
- Recorded a \$342.5 million impairment of DTI's assets resulting in a negative KLT Telecom investment of \$228.1 million.
- Because of DTI's filing for bankruptcy protection under the U.S. Bankruptcy code, KLT Telecom no longer has control over nor can they exert significant control over DTI. As a consequence, as of December 31, 2001, DTI has been de-consolidated and is presented on the cost basis. Consequently KLT Telecom will not include the ongoing results of operations, earnings or losses incurred by DTI during bankruptcy.
- Because of the legal opinion from counsel discussed above, the Company was able to record a reduction in the negative investment of \$207.5 million. This reduction resulted in a net impairment charge of \$195.8 million (\$342.5 million impairment of DTI's assets plus the \$60.8 million write-off of goodwill less the \$207.5 million adjustment of KLT Telecom's investment) and a remaining negative investment of \$20.6 million. This remaining negative investment represents the possible commitments and guarantees relating to DTI including the \$5 million for DIP financing and the \$15 million aggregate floor of the Weinstein put option. The \$20.6 million is included in Deferred Credits and Other Liabilities - Other on Great Plains Energy's consolidated balance sheet.

The results of the above include a \$140.0 million (\$2.27 per share) reduction to net income (\$195.8 included in (Gain) Loss on Property in Operating Expenses and \$55.8 million of income tax benefits included in Income Taxes on Great Plains Energy's Consolidated Statements of Income).

The \$55.8 million income tax benefits applicable to this net write-off is net of a \$15.8 million tax valuation allowance due to the uncertainty of recognizing future tax deductions while in the bankruptcy process. The \$55.8 million income tax benefit reflects the impact of DTI's 2001 abandonment of its \$104 million of long-haul assets in addition to other expected tax deductions. If additional assets of DTI are sold or abandoned during the bankruptcy process, or additional tax losses not already

reflected are incurred by DTI, KLT Telecom will record tax benefits associated with these additional tax deductions at that time. The amount of additional tax deductions will be limited by KLT Telecom's tax basis in DTI. DTI's tax losses will continue to be included in Great Plains Energy's consolidated tax return. In accordance with the tax allocation agreement with DTI, cash tax savings are shared with DTI only to the extent DTI generates taxable income to utilize such losses.

Following are condensed DTI consolidated financial statements for the year ended December 31, 2001.

DTI Consolidated Balance Sheet December 31, 2001		Net Assets De-consolidated by KLT Telecom (millions)
<b>Assets</b>		
Property and equipment, net	\$ 46.9	
Other	6.1	
Total assets	\$ 53.0	\$ (53.0)
<b>Liabilities</b>		
Current liabilities not subject to compromise	\$ 0.2	0.2
Liabilities subject to compromise		
Loans from KLT Telecom	57.0	
Deferred revenue	45.8	45.8
Interest payable to KLT Telecom	3.0	
Other	31.9	31.9
Senior discount notes		
Held by KLT Telecom	8.5	
Held by others	203.2	203.2
Total liabilities subject to compromise	349.4	
Stockholders' equity(deficit)	(296.6)	
 Total liabilities and stockholders' equity(deficit)	 \$ 53.0	 \$ 228.1

DTI Consolidated Statement of Income for the Year Ended December 31, 2001		(millions)
Telecommunications service revenues		\$ 17.4
<b>Operating expenses</b>		
Provision for impairment of long-lived assets	(a)	(342.5)
Other		(44.2)
Interest expense net of interest income		(31.9)
Loss before income tax benefit and extraordinary item		(401.2)
Income tax benefit		37.9
Gain on early extinguishment of debt		57.2
Net loss		\$ (306.1)

(a) The write-down of assets was determined by DTI in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". The write-down reflects the abandonment of \$104 million of long-haul assets and the impairment of the rest of the telecommunication network and equipment. The impairment is primarily a result of the downward trends in certain segments of the economy, particularly with respect to previously expected growth of demand in technology and telecommunications, the accompanying deterioration in value of DTI's operating assets and its Chapter 11 filing. The fair value used in the impairment analysis was derived primarily from the discounted cash flows from continued future operations.

DTI Consolidated Statement of Cash Flows for the Year Ended  
December 31, 2001

	(millions)
Net cash used in operating activities	\$ (10.8)
Net cash used in investing activities	(41.2)
Cash provided by financing activities	42.9
Net decrease in cash and cash equivalents	\$ (9.1)

Reconciliation of DTI consolidated financial statements to DTI  
financial results included in Great Plains Energy consolidated  
financial statements

	(millions)
Loss before income tax benefit and extraordinary item	\$ (401.2)
Loss before consolidation on February 8, 2001	7.1
Goodwill write-off	(60.8)
Reduction to KLT Telecom's negative investment in DTI	207.5
Total	\$ (247.4)
Net DTI write-off	\$ (195.8)
DTI operational loss, excluding net write-off	(51.6)
Total equal to the above	(247.4)
Other	(1.0)
Total included in loss before income taxes	(248.4)
Income tax benefits recorded by KLT Telecom	74.6
Loss before extraordinary item	(173.8)
Early extinguishment of debt	15.9
DTI loss included in Great Plains Energy consolidated loss	\$ (157.9)

Extraordinary Item Early Extinguishment of Debt

The KLT Telecom gain on early extinguishment of debt resulted from DTI's completion of a successful tender offer for 50.4 percent of its outstanding Senior Discount Notes prior to KLT Telecom acquiring a majority ownership in DTI. The \$15.9 million early extinguishment of debt has been reduced by the losses previously recorded by DTI but not reflected by KLT Telecom, and is net of \$9.1 million of income taxes.

18. PROPOSED INTERNAL REVENUE SERVICE ADJUSTMENT - CORPORATE OWNED  
LIFE INSURANCE

During 2000, KCP&L recorded a \$12.7 million charge for the Federal and states income tax impact of the proposed disallowance of interest deductions on corporate owned life insurance loans and assessed interest on the disallowance for tax years 1994 to 1998. KCP&L believes it has complied with all applicable tax laws and regulations. As a result, KCP&L plans to vigorously contest the IRS's disallowance up to, and including, all appeals available.

## 19. QUARTERLY OPERATING RESULTS (UNAUDITED)

Quarterly operating results for Great Plains Energy and consolidated KCP&L are identical prior to the October 1, 2001, formation of a holding company. Thus, Great Plains Energy and consolidated KCP&L are presented separately below for the year 2001 to reflect the differences for the registrants in the fourth quarter. The 2000 quarterly operating results presented below represent both Great Plains Energy and consolidated KCP&L.

### Great Plains Energy

	1st	Quarter		4th
		2nd	3rd	
	(millions)			
2001				
Operating revenues	\$280.2	\$346.5	\$480.9	\$ 354.3
Operating income (loss)	7.4	75.8	131.7	(157.7)
Income (loss) before extraordinary item	(3.0)	36.2	55.6	(128.8)
Net income (loss)	12.9	36.2	55.6	(128.9)
Basic and diluted earnings (loss) per common share before extraordinary item	\$(0.06)	\$ 0.58	\$ 0.89	\$ (2.09)
Basic and diluted earnings (loss) per common share	\$ 0.20	\$ 0.58	\$ 0.89	\$ (2.09)

Basic and diluted earnings per common share in the fourth quarter of 2001 include a loss of \$2.27 due to the net write-off of the investment in DTI.

### Consolidated KCP&L

	1st	Quarter		4th
		2nd	3rd	
	(millions)			
2001				
Operating revenues	\$280.2	\$346.5	\$480.9	\$ 243.3
Operating income	7.4	75.8	131.7	39.8
Income (loss) before extraordinary item	(3.0)	36.2	55.6	15.0
Net income	12.9	36.2	55.6	15.0

Certain reclassifications have been made to previously reported amounts in the 2001 Form 10-Q's, reflecting audit adjustments to revenues and purchased power recorded by Strategic Energy. There is no impact to net income as a result of these adjustments. Revenues previously reported were \$281.9 million, \$354.3 million, and \$492.6 million for the first, second and third quarters of 2001, respectively.

## Great Plains Energy and Consolidated KCP&amp;L

	1st	Quarter		4th
		2nd	3rd	
		(millions)		
2000				
Operating revenues	\$199.3	\$290.9	\$378.4	\$247.3
Operating income	22.0	63.3	142.2	64.8
Income before cumulative effect of changes in accounting principles	0.6	26.7	81.6	19.7
Net income	30.7	26.7	81.6	19.7
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	-	\$ 0.43	\$ 1.31	\$ 0.31
Basic and diluted earnings per common share	\$ 0.49	\$ 0.43	\$ 1.31	\$ 0.31

Basic and diluted earnings per common share in the third and fourth quarter of 2000, include \$0.62 and \$0.48, respectively, from the sales of gas properties.

The quarterly data is subject to seasonal fluctuations with peak periods occurring during the summer months.



Report of Independent Accountants

To the Shareholders and the Board of Directors of  
Great Plains Energy Incorporated:

We have audited the consolidated financial statements of Great Plains Energy Incorporated and Subsidiaries listed in the index appearing under Item 14 on page 87. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of DTI Holdings, Inc. and Subsidiaries (Debtors-in-Possession) (an 83.6 percent owned entity), as of and for the year ended December 31, 2001, which statements reflect total assets of \$53.0 million as of December 31, 2001 and total revenues of \$17.4 million and a net loss of \$306.1 million for the year ended December 31, 2001. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for DTI Holdings, Inc. and Subsidiaries is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Great Plains Energy Incorporated and Subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the consolidated financial statements, the Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended on January 1, 2001. As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for pensions in 2000.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri  
February 5, 2002

Report of Independent Accountants

To the Shareholder and the Board of Directors of  
Kansas City Power & Light Company:

We have audited the consolidated financial statements of Kansas City Power & Light Company (a wholly-owned subsidiary of Great Plains Energy Incorporated) and Subsidiaries listed in the index appearing under Item 14 on page 87. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of DTI Holdings, Inc. and Subsidiaries (Debtors-in-Possession) (an 83.6 percent owned entity through September 30, 2001), as of and for the year ended December 31, 2001, which statements reflect total assets of \$53.0 million as of December 31, 2001 and total revenues of \$17.4 million and a net loss of \$306.1 million for the year ended December 31, 2001. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for DTI Holdings, Inc. and Subsidiaries is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kansas City Power & Light Company and Subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the consolidated financial statements, the Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended on January 1, 2001. As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for pensions in 2000.

As discussed in Note 1 to the consolidated financial statements, on October 1, 2001 the Company completed its corporate reorganization creating a holding company structure.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri  
February 5, 2002

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of DTI Holdings, Inc.

We have audited the accompanying balance sheets of DTI Holdings, Inc. and subsidiaries (Debtors-in-Possession) (the "Company") as of December 31, 2000 and 2001, and the related statements of operations and stockholder's equity (deficit) and of cash flows for the years ended June 30, 1999 and 2000, the six-month period ended December 31, 2000 and the year ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of DTI Holdings, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended June 30, 1999 and 2000, the six-month period ended December 31, 2000 and the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company has filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company's recurring losses from operations, negative working capital, and stockholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3, the Company determined that the carrying value of its long-lived assets had been impaired during the year. In accordance with Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to be Disposed of, the Company recorded an impairment charge of approximately \$342 million at December 31, 2001.

/s/ DELOITTE & TOUCHE, LLP

St. Louis, Missouri  
January 30, 2002

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Board of Directors, upon recommendation of the Board's Audit Committee, approved the engagement of the accounting firm of Deloitte & Touche LLP as the independent public accountants to audit and certify the financial statements in 2002, subject to ratification and approval by the shareholders. The services of the accounting firm of PricewaterhouseCoopers LLP, who previously served as Great Plains Energy Incorporated's and Kansas City Power & Light Company's independent public accountants, were notified on February 8, 2002, that their services would be discontinued effective with the completion of the audit of the December 31, 2001 financial statements. For further information, see the Company's Form 8-K/A dated February 8, 2002.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

DIRECTORS

KCP&L directors are the same as those listed for Great Plains Energy. See General Note to Part III.

EXECUTIVE OFFICERS

See Part I, page 6, entitled "Executive Officers of the Registrants."

ITEM 11. EXECUTIVE COMPENSATION

See General Note to Part III.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

KCP&L is solely owned by Great Plains Energy. See General Note to Part III.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See General Note to Part III.

GENERAL NOTE TO PART III

Pursuant to General Instruction G to Form 10-K, the other information required by Part III (Items 10, 11, 12 and 13) of Form 10-K not disclosed above will either be (i) incorporated by reference from the Definitive Proxy Statement for Great Plains Energy's 2002 Annual Meeting of Shareholders, to be filed with the SEC not later than March 31, 2002, or (ii) included in an amendment to this report filed with the SEC on Form 10-K/A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS

	PAGE NO. ----
GREAT PLAINS ENERGY	
a. Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999	34
b. Consolidated Balance Sheets - December 31, 2001 and 2000	35
c. Consolidated Statements of Capitalization - December 31, 2001 and 2000	36
d. Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	37
e. Consolidated Statements of Comprehensive Income and Consolidated Statements of Retained Earnings for the years ended December 31, 2001, 2000 and 1999	38
KCP&L	
f. Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999	39
g. Consolidated Balance Sheets - December 31, 2001 and 2000	40
h. Consolidated Statements of Capitalization - December 31, 2001 and 2000	41
i. Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	42
j. Consolidated Statements of Comprehensive Income and Consolidated Statements of Retained Earnings for the years ended December 31, 2001, 2000 and 1999	43
k. Notes to Consolidated Financial Statements	44
l. Report of Independent Accountants - Great Plains Energy	83
m. Report of Independent Accountants - KCP&L	84
n. Report of Independent Accountants - DTI	85

EXHIBITS

GREAT PLAINS ENERGY DOCUMENTS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
2.1	* Agreement and Plan of Merger among Kansas City Power & Light Company, Great Plains Energy Incorporated and KCP&L Merger Sub Incorporated dated as of October 1, 2001 (Exhibit 2 to Form 8-K dated October 1, 2001).
3.1.a	* Articles of Incorporation of Great Plains Energy Incorporated dated as of February 26, 2001 (Exhibit 3.i to Form 8-K filed October 1, 2001).
3.1.b	* By-laws of Great Plains Energy Incorporated dated March 13, 2001 (Exhibit 3.ii to Form 8-K filed October 1, 2001).
4.1.a	* Resolution of Board of Directors Establishing 3.80% Cumulative Preferred Stock (Exhibit 2-R to Registration Statement, Registration No. 2-40239).
4.1.b	* Resolution of Board of Directors Establishing 4.50% Cumulative Preferred Stock (Exhibit 2-T to Registration Statement, Registration No. 2-40239).
4.1.c	* Resolution of Board of Directors Establishing 4.20% Cumulative Preferred Stock (Exhibit 2-U to Registration Statement, Registration No. 2-40239).
4.1.d	* Resolution of Board of Directors Establishing 4.35% Cumulative Preferred Stock (Exhibit 2-V to Registration Statement, Registration No. 2-40239).
10.1.a	* Long-Term Incentive Plan (Exhibit 28 to Registration Statement, Registration 33-42187).
10.1.b	* Annual Incentive Compensation Plan, dated February 2001 (Exhibit 10-c to Form 10-K for the year ended December 31, 2000).
10.1.c	* Indemnification Agreement with each officer and director (Exhibit 10-f to Form 10-K for year ended December 31, 1995).
10.1.d	* Restated Severance Agreement dated January 2000 with certain executive officers (Exhibit 10-e to Form 10-K for the year ended December 31, 2000).
10.1.e	* Supplemental Executive Retirement Plan Amended and Restated November 1, 2000 (Exhibit 10-f to Form 10-K for the year ended December 31, 2000).
10.1.f	* Nonqualified Deferred Compensation Plan (Exhibit 10-b to Form 10-Q for period ended March 31, 2000).
10.1.g	* Employment Agreement between KLT Inc. and Gregory J. Orman (Exhibit 10-c to Form 10-Q for period ended March 31, 2000).
10.1.h	* KLT Inc. Incentive Compensation Plan for Employees and Directors (Exhibit 10-d to Form 10-Q for period ended March 31, 2000).

- 10.1.i \* Amendment No. 1 to KLT Inc. Incentive Compensation Plan dated as of November 16, 2000 (Exhibit 10-j to Form 10-K for the year ended December 31, 2000).
- 10.1.j \* Amendment No. 2 to KLT Inc. Incentive Compensation Plan dated as of January 25, 2001 (Exhibit 10-k to Form 10-K for the year ended December 31, 2000).
- 10.1.k Amendment No. 3 to KLT Inc. Incentive Compensation Plan dated as of December 26, 2001.
- 10.1.l \* KLT Gas Inc. Incentive Compensation Plan effective January 1, 2001(Exhibit 10-l to Form 10-K for the year ended December 31, 2000).
- 10.1.m Amendment No. 1 to KLT Gas Inc. Compensation Program dated as of October 31, 2001.
- 10.1.n \* Demand Promissory Note and Pledge Agreement between DTI Holdings, Inc. and KLT Telecom Inc. dated February 1, 2001 (Exhibit 10-t to Form 10-K for the year ended December 31, 2000).
- 10.1.o \* Credit Agreement between KLT Telecom Inc. and Digital Teleport Inc. dated February 21, 2001 (Exhibit 10-u to Form 10-K for the year ended December 31, 2000).
- 10.1.p \* Amendment Number 1 dated April 30, 2001, to Credit Agreement among KLT Telecom Inc. and Digital Teleport, Inc. (Exhibit 10-c to Form 10-Q for the period ended June 30, 2001).
- 10.1.q \* Amendment No. 2 dated June 4, 2001 to Credit Agreement between KLT Telecom Inc. and Digital Teleport Inc. (Exhibit 10-c to 10-Q for quarter ended June 30, 2001).
- 10.1.r \* Credit Agreement between KLT Telecom Inc. and Digital Teleport Inc. dated as of September 25, 2001 (Exhibit 10 to Form 10-Q for period ended September 30, 2001).
- 10.1.s First Amendment dated as of October 23, 2001 to Credit Agreement between KLT Telecom Inc. and Digital Teleport Inc.
- 10.1.t Guaranty and Suretyship Agreement, dated as of March 30, 2001, by KLT Inc. in favor of PNC Bank, National Association.
- 10.1.u Promissory Note between Strategic Energy, L.L.C. and Custom Energy Holdings, L.L.C. dated September 14, 2001.
- 10.1.v Credit Agreement dated as of October 3, 2001 among Great Plains Energy Incorporated and Bank One, NA.
- 16.1 \* Letter of PricewaterhouseCoopers LLP (Exhibit 16 to Form 8-K/A dated February 8, 2002).

- 21.1 List of Wholly-Owned Subsidiaries of Great Plains Energy Inc.
- 23.1.a Consent of Counsel.
- 23.1.b Consent of Independent Accountants-PricewaterhouseCoopers LLP.
- 23.1.c Consent of Independent Accountants-Deloitte & Touche LLP.
- 24.1 Powers of Attorney.

\* FILED WITH THE SEC AS EXHIBITS TO PRIOR REGISTRATION STATEMENTS (EXCEPT AS OTHERWISE NOTED) AND ARE INCORPORATED HEREIN BY REFERENCE AND MADE A PART HEREOF. THE EXHIBIT NUMBER AND FILE NUMBER OF THE DOCUMENTS SO FILED, AND INCORPORATED HEREIN BY REFERENCE, ARE STATED IN PARENTHESIS IN THE DESCRIPTION OF SUCH EXHIBIT.

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.

#### KCP&L DOCUMENTS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
2.2	* Agreement and Plan of Merger among Kansas City Power & Light Company, Great Plains Energy Incorporated and KCP&L Merger Sub Incorporated dated as of October 1, 2001 (Exhibit 2 to Form 8-K dated October 1, 2001).
3.2.a	* Restated Articles of Consolidation of KCP&L, as amended October 1, 2001 (Exhibit 3-(i) to Form 10-Q for quarter ended September 30, 2001).
3.2.b	* By-laws of KCP&L, as amended and in effect on November 7, 2000 (Exhibit 3-b to Form 10-K for the year ended December 31, 2000).
4.2.a	* General Mortgage and Deed of Trust dated as of December 1, 1986, between KCP&L and UMB Bank, n.a. (formerly United Missouri Bank) of Kansas City, N.A., Trustee (Exhibit 4-bb to Form 10-K for the year ended December 31, 1986).
4.2.b	* Fourth Supplemental Indenture dated as of February 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-y to Form 10-K for year ended December 31, 1991).
4.2.c	* Fifth Supplemental Indenture dated as of September 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-a to Form 10-Q for the quarter ended September 30, 1992).
4.2.d	* Sixth Supplemental Indenture dated as of November 1, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-z to Registration Statement, Registration No. 33-54196).
4.2.e	* Seventh Supplemental Indenture dated as of October 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4-a to Form 10-Q for the quarter ended September 30, 1993).



- 4.2.f \* Eighth Supplemental Indenture dated as of December 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4 to Registration Statement, Registration No. 33-51799).
- 4.2.g \* Ninth Supplemental Indenture dated as of February 1, 1994, to Indenture dated as of December 1, 1986 (Exhibit 4-h to Form 10-K for year ended December 31, 1993).
- 4.2.h \* Tenth Supplemental Indenture dated as of November 1, 1994, to Indenture dated as of December 1, 1986 (Exhibit 4-I to Form 10-K for year ended December 31, 1994).
- 4.2.i \* Indenture for Medium-Term Note Program dated as of February 15, 1992, between KCP&L and The Bank of New York (Exhibit 4-bb to Registration Statement, Registration No. 33-45736).
- 4.2.j \* Indenture for Medium-Term Note Program dated as of November 15, 1992, between KCP&L and The Bank of New York (Exhibit 4-aa to Registration Statement, Registration No. 33-54196).
- 4.2.k \* Indenture for Medium-Term Note Program dated as of November 17, 1994, between KCP&L and The Bank of New York (Exhibit 4-s to Form 10-K for year ended December 31, 1994).
- 4.2.l \* Indenture for Medium-Term Note Program dated as of December 1, 1996, between KCP&L and The Bank of New York (Exhibit 4 to Registration Statement, Registration No. 333-17285).
- 4.2.m \* Amended and Restated Declaration of Trust of KCP&L Financing I dated April 15, 1997 (Exhibit 4-a to Form 10-Q for quarter ended March 31, 1997).
- 4.2.n \* Indenture dated as of April 1, 1997 between the Company and The First National Bank of Chicago, Trustee (Exhibit 4-b to Form 10-Q for quarter ended March 31, 1997).
- 4.2.o \* First Supplemental Indenture dated as of April 1, 1997 to the Indenture dated as of April 1, 1997 between the Company and The First National Bank of Chicago, Trustee (Exhibit 4-c to Form 10-Q for quarter ended March 31, 1997).
- 4.2.p \* Preferred Securities Guarantee Agreement dated April 15, 1997 (Exhibit 4-d to Form 10-Q for quarter ended March 31, 1997).
- 4.2.q \* Indenture dated as of December 1, 2000, between Kansas City Power & Light Company and The Bank of New York (Exhibit 4-a to Report on Form 8-K dated December 18, 2000).
- 10.2.a \* Railcar Lease dated as of April 15, 1994, between Shawmut Bank Connecticut, National Association, and KCP&L (Exhibit 10 to Form 10-Q for period ended June 30, 1994).
- 10.2.b \* Railcar Lease dated as of January 31, 1995, between First Security Bank of Utah, National Association, and KCP&L (Exhibit 10-o to Form 10-K for year ended December 31, 1994).
- 10.2.c \* Railcar Lease dated as of September 8, 1998, with CCG Trust Corporation (Exhibit 10(b) to Form 10-Q for period ended September 30, 1998).

- 10.2.d Amended and Restated Lease dated as of October 12, 2001 between Kansas City Power & Light Company and Wells Fargo Bank Northwest, National Association.
- 10.2.e \* Purchase and Sale Agreement dated October 29, 1999 between KCP&L and Kansas City Power & Light Receivables Company (Exhibit 10-m to Form 10-K for year ended December 31, 1999).
- 16.2 \* Letter of PricewaterhouseCoopers LLP (Exhibit 16 to Form 8-K/A dated February 8, 2002).
- 23.2.a Consent of Counsel.
- 23.2.b Consent of Independent Accountants - PricewaterhouseCoopers LLP.
- 24.2 Powers of Attorney.

\* FILED WITH THE SEC AS EXHIBITS TO PRIOR REGISTRATION STATEMENTS (EXCEPT AS OTHERWISE NOTED) AND ARE INCORPORATED HEREIN BY REFERENCE AND MADE A PART HEREOF. THE EXHIBIT NUMBER AND FILE NUMBER OF THE DOCUMENTS SO FILED, AND INCORPORATED HEREIN BY REFERENCE, ARE STATED IN PARENTHESIS IN THE DESCRIPTION OF SUCH EXHIBIT.

COPIES OF ANY OF THE EXHIBITS FILED WITH THE SEC IN CONNECTION WITH THIS DOCUMENT MAY BE OBTAINED FROM KCP&L UPON WRITTEN REQUEST.

#### REPORTS ON FORM 8-K

##### GREAT PLAINS ENERGY

Great Plains Energy filed a report on Form 8-K with the SEC dated October 1, 2001 with attached documents in connection with the completion of a corporate restructuring.

Great Plains Energy filed a report on Form 8-K with the SEC dated October 9, 2001, providing an update on the financial condition of DTI Holdings, Inc. and Digital Teleport, Inc.

Great Plains Energy filed a report on Form 8-K with the SEC dated December 31, 2001 regarding the filing of voluntary petition for reorganization under Chapter 11 of the U.S. bankruptcy code by DTI Holdings, Inc. and Digital Teleport, Inc.

Great Plains Energy filed a report on Form 8-K/A with the SEC dated February 8, 2002 regarding a change in the certifying accountants for 2002.

##### KCP&L

KCP&L filed a report on Form 8-K with the SEC dated October 10, 2001 with attached documents in connection with the completion of a corporate restructuring.

KCP&L filed a report on Form 8-K with the SEC dated November 19, 2001 with attached documents in connection with the issuance of \$150,000,000 aggregate principal amount of 6.50% Senior Notes.

KCP&L filed a report on Form 8-K/A with the SEC dated February 8, 2002 regarding a change in the certifying accountants for 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, and State of Missouri on the 26th day of February, 2002.

GREAT PLAINS ENERGY INCORPORATED

By /s/Bernard J. Beaudoin  
Chairman of the Board

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature - - - - -	Title -----	Date -----
/s/Bernard J. Beaudoin (Bernard J. Beaudoin)	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	) ) ) ) ) )
/s/Andrea F. Bielsker (Andrea F. Bielsker)	Vice President - Finance Chief Financial Officer and Treasurer (Principal Financial Officer)	) ) ) ) ) )
/s/Neil Roadman (Neil Roadman)	Controller (Principal Accounting Officer)	) ) ) ) )
David L. Bodde*	Director	) February 26, 2002
Mark A. Ernst*	Director	)
William K. Hall*	Director	)
Luis A. Jimenez*	Director	)
William C. Nelson*	Director	)
Linda Hood Talbott*	Director	)
Robert H. West*	Director	)

\*By /s/Bernard J. Beaudoin  
(Bernard J. Beaudoin)  
Attorney-in-Fact\*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, and State of Missouri on the 26th day of February, 2002.

KANSAS CITY POWER & LIGHT COMPANY

By /s/Bernard J. Beaudoin  
Chairman of the Board

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature - - - - -	Title - - - - -	Date - - - - -
/s/Bernard J. Beaudoin (Bernard J. Beaudoin)	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	) ) ) ) ) )
/s/Andrea F. Bielsker (Andrea F. Bielsker)	Vice President - Finance Chief Financial Officer and Treasurer (Principal Financial Officer)	) ) ) ) ) )
/s/Neil Roadman (Neil Roadman)	Controller (Principal Accounting Officer)	) ) ) ) )
David L. Bodde*	Director	) February 26, 2002
Mark A. Ernst*	Director	)
William K. Hall*	Director	)
Luis A. Jimenez*	Director	)
William C. Nelson*	Director	)
Linda Hood Talbott*	Director	)
Robert H. West*	Director	)

\*By /s/Bernard J. Beaudoin  
(Bernard J. Beaudoin)  
Attorney-in-Fact\*

AMENDMENT 3  
TO  
KLT INC.  
INCENTIVE COMPENSATION PLAN

This Amendment 3 to KLT Inc. Incentive Compensation Plan is made and adopted by the Board of Directors of KLT Inc. (the "Corporation"), acting by and through its disinterested directors, as of December 26, 2001, but shall be effective upon the obtaining of written consent of the Participants holding, in aggregate, a majority of the percentage of the Pool heretofore allocated under the Plan.

WHEREAS, the Board of Directors of the Corporation established and adopted a certain Incentive Compensation Plan dated as of March 14, 2000, as amended by Amendment 1 dated as of November 16, 2000, and by Amendment 2 dated as of January 25, 2001 (as so amended, the "Plan");

WHEREAS, Amendment 2 to the Plan was intended only to replace paragraphs (i) and (ii) of Section 5.b. with two new paragraphs;

WHEREAS, the Board of Directors of the Corporation has determined that in the event that DTI Holdings, Inc., Digital Teleport, Inc. and/or Digital Teleport of Virginia, Inc. (collectively, the "DTI Entities") file a petition for reorganization under the federal Bankruptcy Code, that such bankruptcy filing would be a Realization Event for the DTI Entities as contemplated by, among other things, clause (iv) of Section 3.e. of the Plan;

WHEREAS, notwithstanding the foregoing, however, the Board of Directors of the Corporation has determined to clarify the events that result in a Realization Event; and

WHEREAS, it is in the interest of the Corporation, and consistent with the overall purpose of the Plan to induce participants to continue employment with the Corporation, to further amend the Plan, as set forth below.

THEREFORE, the Plan is amended as follows:

1. The introductory clause to Section 1 of Amendment 2 to the Plan hereby is amended and restated to read in its entirety as follows:

Paragraphs (i) and (ii) of Section 5.b of the Plan hereby are amended and restated to read in their entirety as follows:

2. Section 3.e. of the Plan hereby is amended and restated to read in its entirety as follows:

e. The Amount Realized for each Affiliate or Corporation will be determined upon the occurrence of a Realization Event. A Realization Event shall be deemed to occur upon the earliest to occur of the following events:

(i) an initial public offering (an "IPO") of common stock of the Corporation or an Affiliate;

(ii) the sale of twenty percent (20%) or more of the fully diluted capital stock or other equity securities in the Corporation or an Affiliate;

(iii) a merger or consolidation of the Corporation or an Affiliate in which the Corporation is not the survivor or the controlling shareholder of the resulting entity;

(iv) a sale, disposition or other transfer of all or substantially all of the assets of the Corporation or an Affiliate;

(v) a liquidation or dissolution of the Corporation or an Affiliate;

(vi) the Corporation or an Affiliate shall (a)

have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (b) make an assignment for the benefit of creditors, (c) 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, (d) 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, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, (e) take any corporate action to authorize or effect any of the foregoing actions set forth in this clause (vi), or (f) fail to contest in good faith any appointment or proceeding described in clause (vii) of this Section 3.e.;

(vii) Without the application, approval or consent of the Corporation or an Affiliate, as the case may be, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Corporation or an Affiliate, or any substantial portion of its property, or a proceeding described in clause (vi)(d) of this Section 3.e. shall be instituted against the Corporation or an Affiliate, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days;

(viii) a portion of the property of the Corporation or an Affiliate becomes impaired under generally accepted accounting principles giving rise to a write-down of the book value of such property; and

(ix) the expiration of three years after implementation of the Plan, in the case of Affiliates initially included in Exhibit A, and three years after the Corporation's initial capital investment in an Affiliate which is subsequently included in Exhibit A.

3. Except as expressly amended above, the terms and conditions of the Plan remain in full force and effect. All capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

4. This Amendment 3 shall be effective for all purposes from and after December 26, 2001, upon the obtaining of written consent of the Participants holding, in aggregate, a majority of the percentage of the Pool heretofore allocated under the Plan.

IN WITNESS WHEREOF, the Corporation has executed this Amendment 3 as of the date first above written.

KLT INC.

By: /s/ Gregory J. Orman  
Gregory J. Orman  
President and CEO

Attest:

/s/ David J. Haydon  
Corporate Secretary

Consented and agreed to by the Participants holding, in aggregate, a majority of the percentage of the Pool heretofore allocated under the Plan.

/s/ Gregory J. Orman  
Gregory J. Orman

/s/ Mark R. Schroeder  
Mark R. Schroeder

/s/ John J. Grossi  
John J. Grossi

/s/ James A. Mitchell  
James A. Mitchell

/s/ Charles W. Schellhorn  
Charles W. Schellhorn

/s/ Andrew V. Johnson  
Andrew V. Johnson

AMENDMENT 1  
TO  
KLT GAS INC.  
COMPENSATION PROGRAM

This Amendment 1 to KLT Gas Inc. Compensation Program is made and adopted by KLT Inc., as the sole shareholder and designated director (the "Director") of KLT Gas Inc. (the "Corporation"), a Missouri statutory close corporation, as of October 31, 2001.

WHEREAS, the Corporation established and adopted a certain Compensation Program dated as of January 1, 2001 (the "Plan"), which Plan administered by the Director through its President;

WHEREAS, it is in the interest of the Corporation, and consistent with the overall purpose of the Plan to induce participants to continue employment with the Corporation, to further amend the Plan, as set forth below.

THEREFORE, the Plan is amended as follows:

1. Section 5.c. of the Plan hereby is amended and restated to read in its entirety, effective as of January 1, 2001, as follows:

c. The aggregate amount available to be distributed to employees (the "Pool") shall be 5.625% percent of the difference between (i) the Amount Realized (as defined below) on each Affiliate or Company, as the case may be, and (ii) the sum of the Baseline for such Affiliate or Company, as the case may be, and an amount equal to a 10% annual pre-tax return on such Baseline (such Baseline shall be computed, as to Affiliates existing as of the date of initial adoption of the Plan, from the date of such adoption, and, as to Affiliates included subsequent to the Plan's initial adoption, from the date of such subsequent inclusion. The Baseline for the Company shall be the sum of the Baselines of its Affiliates). If the amount calculated pursuant to clause 5.c.(i) is less than the amount calculated pursuant to clause 5.c.(ii), then the Pool shall be reduced by an amount equal to 5.625% percent of such difference and the amounts in the employees' Incentive Accounts shall be accordingly adjusted to reflect this reduction in the Pool.

2. Section 3.e. of the Plan hereby is amended and restated to read in its entirety as follows:

e. The Amount Realized for each Affiliate or Company will be determined upon the occurrence of a Realization Event. A Realization Event shall be deemed to occur upon the earliest to occur of the following events:

(i) an initial public offering (an "IPO") of common stock of the Company or an Affiliate;

(ii) the sale of twenty percent (20%) or more of the fully diluted capital stock or other equity securities in the Company or an Affiliate;

(iii) a merger or consolidation of the Company or an Affiliate in which the Company is not the survivor or the controlling shareholder of the resulting entity;

(iv) a sale, disposition or other transfer of all or substantially all of the assets of the Company or an Affiliate;

(v) a liquidation or dissolution of the Company or an Affiliate;

(vi) the Company or an Affiliate shall (a) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (b) make an assignment for the benefit of creditors, (c) 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, (d) 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, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, (e) take any corporate action to authorize or effect any of the foregoing actions set forth in this clause (vi), or (f) fail to contest in good faith any appointment or proceeding described in clause (vii) of this Section 3.e.;

(vii) Without the application, approval or consent of the Company or an Affiliate, as the case may be, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or an Affiliate, or any substantial portion of its property, or a proceeding described in clause (vi)(d) of this Section 3.e. shall be instituted against the Company or an Affiliate, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days;

(viii) a portion of the property of the Company or an Affiliate becomes impaired under generally accepted accounting principles giving rise to a write-down of the book value of such property; and

(ix) a portion of the property of the Company or an Affiliate is shut-in or otherwise abandoned.

3. Exhibit A of the Plan hereby is amended and restated to read in its entirety, effective as of October 31, 2001, as set forth in Exhibit A attached hereto.

4. Clauses (i) and (ii) of Section 6.b. of the Plan hereby are amended and restated to read in their entirety as follows:

(i) If the Company terminates the employee's employment for any reason (including but not limited to death or disability) other than Cause (as defined below), the Participant will be entitled to receive, within 15 days of the end of the year in which such termination occurred, a lump sum, net of all applicable withholding taxes, equal to 50% of the Award remaining in the Participant's Incentive Account at the time of such termination, as adjusted to reflect the proportionate effects of all reductions (but not

increases) to the Pool, pursuant to Section 5, occurring between said time of termination and the end of the year in which such termination occurred. The employee shall not be entitled to any other portion of the Award remaining in the employee's Incentive Account.

(ii) If the employee terminates employment, or is terminated for Cause, the employee shall forfeit all of the Award remaining in the employee's Incentive Account at the time of such termination. The Company may, in its sole discretion, elect to waive the forfeiture requirement of this paragraph respecting a portion (but not more than 50%) of such Award if a employee terminates employment; in such event, payment of such portion shall be made in accordance with the preceding paragraph.

5. Except as expressly amended above, the terms and conditions of the Plan remain in full force and effect. All capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

IN WITNESS WHEREOF, the Director has executed this Amendment 1 as of the date first above written.

KLT INC.,  
as the sole shareholder and  
designated director of KLT Gas  
Inc. and Director of the Plan

By: /s/ Gregory J. Orman  
Gregory J. Orman  
President and CEO

Attest:

/s/ David J. Haydon  
Secretary

FIRST AMENDMENT TO  
CREDIT AGREEMENT

This First Amendment to Credit Agreement ("First Amendment") is made and entered into effective as of October 23, 2001, by and between KLT Telecom Inc. ("Lender") and Digital Teleport, Inc. ("Borrower"). Unless specifically defined herein, capitalized terms and phrases used in this First Amendment shall have the meanings given those terms and phrases in the Credit Agreement (as hereinafter defined).

WHEREAS, Lender and Borrower are parties to that certain Credit Agreement, dated as of September 25, 2001 (the "Credit Agreement"); and

WHEREAS, Lender and Borrower now desire to amend the Credit Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower hereby agree as follows:

1. AMENDMENT. Schedule 5.08 to the Credit Agreement is hereby amended and restated to read in its entirety as set forth in Exhibit A attached hereto.

2. CONTINUING EFFECT. Except as amended and modified by this First Amendment, the Credit Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, Lender and Borrower have executed and delivered this First Amendment effective as of the date first above written.

KLT TELECOM INC.

DIGITAL TELEPORT, INC.

By: /s/Mark R. Schroeder  
Name: Mark R. Schroeder  
Title: President

By: /s/ Gary W. Douglass  
Name: Gary W. Douglass  
Title: SVP & CFO

## Guaranty and Suretyship Agreement

THIS GUARANTY AND SURETYSHIP AGREEMENT (this "Guaranty") is made and entered into as of this 30 day of March, 2000, by KLT Inc. (the "Guarantor"), with an address at 10740 Nall, Suite 230, Overland Park, Kansas 66211, in consideration of the extension of credit by PNC BANK, NATIONAL ASSOCIATION (the "Bank"), with an address at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222, to STRATEGIC ENERGY, L.L.C. (the "Borrower"), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

1. Guaranty of Obligations. The Guarantor hereby guarantees, and becomes surety for, the prompt payment and performance of all loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Bank or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), arising under or related to (x) that certain Letter Agreement governing a \$25,000,000 committed line of credit for the issuance of standby letters of credit between the Borrower and the Bank, dated as of even date herewith, (y) each letter of credit issued by the Bank on account of the Borrower pursuant to such Letter Agreement, and (z) that certain Reimbursement Agreement for Standby Letter(s) of Credit executed by the Borrower in favor of the Bank, dated November 14, 2000, as amended on the date hereof, and any amendments, extensions, renewals or increases of any of the foregoing and all costs and expenses of the Bank incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including reasonable attorneys' fees and expenses (hereinafter referred to collectively as the "Obligations"). If the Borrower defaults under any such Obligations, the Guarantor will pay the amount due to the Bank.

2. Nature of Guaranty; Waivers. This is a guaranty of payment and not of collection and the Bank shall not be required, as a condition of the Guarantor's liability, to make any demand upon or to pursue any of its rights against the Borrower, or to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Obligations.

This is an absolute, unconditional, irrevocable and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, and the Bank has terminated this Guaranty. This Guaranty will remain in full force and effect even if there is no principal balance outstanding under the Obligations at a particular time or from time to time. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Bank of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Bank to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof or any security or other guaranty thereof. The Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, deduction or defense based upon any claim the Guarantor may have against the Borrower or the Bank, except payment or performance of the Obligations.

Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, notice of dishonor, protest, demand for payment, and any defense based upon the Bank's failure to comply with the notice requirements of the applicable version of Uniform Commercial Code 9-504 are hereby waived. The Guarantor waives all defenses based on suretyship or impairment of collateral.

The Bank at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Obligations; (b) renew, substitute, modify, amend or alter, or grant

consents or waivers relating to any of the Obligations, any other guaranties, or any security for any Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Obligations of the Borrower in such order, manner and amount as the Bank may determine in its sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the Guarantor, with respect to any Obligations in such manner as the Bank deems appropriate in its sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

3. Repayments or Recovery from the Bank. If any demand is made at any time upon the Bank for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations and if the Bank repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Bank. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Bank's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.

4. Financial Statements. Unless compliance is waived in writing by the Bank or until all of the Obligations have been paid in full, the Guarantor will promptly submit to the Bank such information relating to the Guarantor's affairs (including but not limited to annual financial statements and tax returns for the Guarantor) as the Bank may reasonably request.

5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of the Borrower that may result from any such proceeding.

6. Events of Default. The occurrence of any of the following shall be an "Event of Default": (i) any Event of Default (as defined in any of the Obligations); (ii) any default under any of the Obligations that does not have a defined set of "Events of Default" and the lapse of any notice or cure period provided in such Obligations with respect to such default; (iii) demand by the Bank under any of the Obligations that have a demand feature; (iv) the Guarantor's failure to perform any of its obligations hereunder; (v) the falsity, inaccuracy or material breach by the Guarantor of any written warranty, representation or statement made or furnished to the Bank by or on behalf of the Guarantor; or (vi) the termination or attempted termination of this Guaranty. Upon the occurrence of any Event of Default, (a) the Guarantor shall pay to the Bank the amount of the Obligations; or (b) on demand of the Bank, the Guarantor shall immediately deposit with the Bank, in U.S. dollars, all amounts due or to become due under the Obligations, and the Bank may at any time use such funds to repay the Obligations; or (c) the Bank in its discretion may exercise with respect to any collateral any one or more of the rights and remedies provided a secured party under the applicable version of the Uniform Commercial Code; or (d) the Bank in its discretion may exercise from time to time any other rights and remedies available to it at law, in equity or otherwise.

7. Costs. To the extent that the Bank incurs any costs or expenses in protecting or enforcing its rights under the Obligations or this Guaranty, including reasonable attorneys' fees and the costs and expenses of litigation, such costs and expenses will be due on demand, will be included in the Obligations and will bear interest from the incurring or payment thereof at the Default Rate (as defined in any of the Obligations).

8. Postponement of Subrogation. Until the Obligations are indefeasibly paid in full, the Guarantor postpones and subordinates in favor of the Bank any and all rights which the Guarantor may have to (a) assert any claim against the Borrower based on subrogation rights with respect to payments made hereunder, and (b) any realization on any property of the Borrower, including participation in any marshalling of the Borrower's assets.

9. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Bank and the Guarantor set forth above or to such other address as one may give to the other in writing for such purpose.

10. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. The Bank may proceed in any order against the Borrower, the Guarantor or any other obligor of, or collateral securing, the Obligations.

11. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

12. Changes in Writing. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.

13. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Bank with respect to the subject matter hereof; provided, however, that this Guaranty is in addition to, and not in substitution for, any other guarantees from the Guarantor to the Bank.

14. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Guarantor may not assign this Guaranty in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Guaranty in whole or in part.

15. Interpretation. In this Guaranty, unless the Bank and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty unless otherwise indicated. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose. If this Guaranty is executed by more than one party as Guarantor, the obligations of such persons or entities will be joint and several.

16. Indemnity. The Guarantor agrees to indemnify each of the Bank, its directors, officers and employees and each legal entity, if any, who controls the Bank (the "Indemnified Parties") and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation or preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party as a result of the execution of or performance under this Guaranty; provided, however, that the foregoing indemnity agreement shall not apply to claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Guaranty. The Guarantor may participate at its expense in the defense of any such claim.

17. Governing Law and Jurisdiction. This Guaranty has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. This Guaranty will be interpreted and the rights and liabilities of the Bank and the Guarantor determined in accordance with the laws of the STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, excluding its conflict of laws rules. The Guarantor hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Guaranty will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

18. Equal Credit Opportunity Act. If the Guarantor is not an "applicant for credit" under Section 202.2 (e) of the Equal Credit Opportunity Act of 1974 ("ECOA"), the Guarantor acknowledges that (i) this Guaranty has been executed to provide credit support for the Obligations, and (ii) the Guarantor was not required to execute this Guaranty in violation of Section 202.7(d) of the ECOA.

19. Waiver of Jury Trial. The Guarantor irrevocably waives any and all right the Guarantor may have to a trial by jury in any action, proceeding or claim of any nature relating to this Guaranty, any documents executed in connection with this Guaranty or any transaction contemplated in any of such documents. The Guarantor acknowledges that the foregoing waiver is knowing and voluntary.

The Guarantor acknowledges that it has read and understood all the provisions of this Guaranty, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

KLT INC.

Attest: /s/ Mark G. English

By: /s/Gregory J. Orman  
(SEAL)

Print Name: Mark G. English  
Title: VP, General Counsel &  
Corporate Secretary

Print Name: Gregory J. Orman  
Title: CEO & President



## PROMISSORY NOTE

\$10,973,035.00  
Overland Park, Kansas 66214

September 14, 2001

FOR VALUE RECEIVED, Strategic Energy, L.L.C., a Delaware limited liability company (the "Maker") promises to pay to the order of Custom Energy Holdings, L.L.C. (the "Holder") at its offices located at 9217 Cody, Overland Park, Kansas 66214, or at such other place as the holder hereof may, from time to time, designate in writing, the principal sum of Ten Million Nine Hundred Seventy-Three Thousand Thirty-Five Dollars and No Cents (\$10,973,035.00), ON DEMAND, together with interest on the unpaid principal balance hereof at a variable rate of interest per annum equal to the "Prime Rate" as such rate is publicly announced from time to time by PNC Bank, National Association ("PNC"). Any change in such rate of interest shall be effective as of the opening of business on the date on which PNC establishes the changed "Prime Rate."

Any amount hereunder which is not paid when due, whether at stated maturity, by acceleration or otherwise, shall bear interest from the date when due until paid at the lesser of (i) the foregoing rate per annum plus three (3) percentage points, or (ii) the maximum rate permitted by law.

Maker and all persons who become liable hereon waive presentment for payment, demand, protest, notice of protest, and notice of dishonor. In addition, the holder hereof may, without notice and without release of the liability of Maker or any maker, endorser, surety and guarantor, add or release one or more of such parties or release any security in whole or in part. The holder hereof shall not be liable for, or be prejudiced by, failure to collect or for lack of diligence in bringing suit upon this Note or any modification or renewal thereof.

Maker will pay on demand all costs of collection and attorneys' fees and expenses incurred or paid by the holder in enforcing the conditions of this Note (collectively, "Costs of Collection").

All payments made hereunder, whether a scheduled installment, prepayment, or payment as a result of acceleration, shall be allocated first to accrued but unpaid interest, next to any Costs of Collection, and then to installments of principal remaining outstanding hereunder first to principal amounts overdue then to principal amounts currently due and then to installments of principal due in the future in the inverse order of their maturity.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of Kansas, without reference to conflict of laws principles of said state. Any amendments, changes or modifications to this Note shall be made only in writing signed on behalf of the parties sought to be bound by a duly authorized officer or agent thereof.

The Holder may sell, assign, pledge or otherwise transfer all or any portion of its interest in this Promissory Note at any time or from time to time without prior notice to, or consent of, and without releasing, any party liable or becoming liable hereon.

By executing this Promissory Note on behalf of the Maker, the undersigned officer of the Maker, in his personal and individual capacity, represents to the Holder that such officer is duly authorized and empowered to execute and deliver this Promissory Note on behalf of the Maker and that this Promissory Note constitutes the legal, valid and binding obligation of the Maker, enforceable against the Maker in accordance with its terms.

WAIVER OF JURY TRIAL. THE MAKER EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY FOR ANY PROCEEDINGS ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS PROMISSORY NOTE, OR ANY OTHER DOCUMENT ENTERED INTO BY MAKER AND HOLDER IN CONNECTION

WITH THIS TRANSACTION, OR ANY CONDUCT RELATING TO THIS PROMISSORY NOTE OR THE LOAN MADE HEREUNDER OR THE DEBTOR-CREDITOR RELATIONSHIP ESTABLISHED HEREBY, INCLUDING WITH REGARD TO ANY COUNTERCLAIMS, CAUSES OF ACTION, AND DEFENSES WHETHER BASED IN CONTRACT OR TORT OR OTHERWISE. THIS WAIVER IS GRANTED IN THE INTEREST OF AVOIDING DELAYS AND EXPENSES ASSOCIATED WITH JURY TRIALS.

IN WITNESS WHEREOF, the Maker has duly caused this Promissory Note to be executed and delivered at the place specified above and as of the date first written above.

MAKER:

STRATEGIC ENERGY, L.L.C.

By: /s/ Richard M. Zomnir  
Name: Richard M. Zomnir  
Title: President/CEO

PAY TO THE ORDER OF KLT ENERGY SERVICES INC.  
WITHOUT RECOURSE OR ANY KIND OR NATURE  
CUSTOM ENERGY HOLDINGS, L.L.C.

By: /s/ Gregory J. Orman

## CREDIT AGREEMENT

\_\_\_\_\_

Dated as of October 3, 2001

among

GREAT PLAINS ENERGY INCORPORATED,

CERTAIN LENDERS,

and

BANK ONE, NA,  
as Administrative Agent

\_\_\_\_\_

BANC ONE CAPITAL MARKETS, INC.

Lead Arranger and Sole Book Manager

TABLE OF CONTENTS	Page
ARTICLE I DEFINITIONS	Page 1
ARTICLE II THE CREDITS	Page 12
2.1. Commitment	Page 12
2.2. Required Payments; Termination	Page 12
2.3. Ratable Loans	Page 13
2.4. Types of Advances	Page 13
2.5. Commitment Fee; Reductions in Aggregate Commitment	Page 13
2.6. Minimum Amount of Each Eurodollar Advance	Page 13
2.7. Optional Principal Payments	Page 13
2.7. Method of Selecting Types and Interest Periods for New Advances	Page 13
2.8. Conversion and Continuation of Outstanding Advances	Page 14
2.10. Changes in Interest Rate, etc.	Page 14
2.11. Rates Applicable After Default	Page 15
2.12. Method of Payment	Page 15
2.13. Noteless Agreement; Evidence of Indebtedness	Page 15
2.14. Telephonic Notices	Page 16
2.15. Interest Payment Dates; Interest and Fee Basis	Page 16
2.16. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions	Page 17
2.17. Lending Installations	Page 17
2.18. Non-Receipt of Funds by the Administrative Agent	Page 17
ARTICLE III YIELD PROTECTION; TAXES	Page 18
3.1. Yield Protection	Page 18
3.2. Changes in Capital Adequacy Regulations	Page 18
3.3. Availability of Types of Advances	Page 19
3.4. Funding Indemnification	Page 19
3.5. Taxes	Page 19
3.6. Lender Statements; Survival of Indemnity	Page 21
ARTICLE IV CONDITIONS PRECEDENT	Page 22
4.1. Initial Advance	Page 22
4.2. Each Advance	Page 23
ARTICLE V REPRESENTATIONS AND WARRANTIES	Page 23
5.1. Existence and Standing	Page 23
5.2. Authorization and Validity	Page 24
5.3. No Conflict; Government Consent	Page 24
5.4. Financial Statements	Page 24



5.5. Material Adverse Change	Page 24
5.6. Taxes	Page 24
5.7. Litigation and Contingent Obligations	Page 25
5.8. ERISA	Page 25
5.9. Accuracy of Information	Page 25
5.10. Regulation U	Page 25
5.11. Material Agreements	Page 25
5.12. Compliance With Laws	Page 26
5.13. Ownership of Properties	Page 26
5.14. Plan Assets; Prohibited Transactions	Page 26
5.15. Environmental Matters.	Page 26
5.16. Investment Company Act	Page 26
5.17. Public Utility Holding Company Act	Page 26
5.18. Pari Passu Indebtedness	Page 26
5.19. Solvency	Page 26
ARTICLE VI COVENANTS	Page 27
6.1. Financial Reporting	Page 27
6.2. Permits, Etc.	Page 28
6.3. Use of Proceeds	Page 28
6.4. Notice of Default	Page 29
6.5. Conduct of Business	Page 29
6.6. Taxes	Page 29
6.7. Insurance	Page 29
6.8. Compliance with Laws	Page 29
6.9. Maintenance of Properties; Books of Record	Page 29
6.10. Inspection	Page 30
6.10. Consolidations, Mergers and Sale of Assets	Page 30
6.12. Liens	Page 31
6.13. Affiliates	Page 33
6.14. ERISA	Page 33
6.15 Total Indebtedness to Total Capitalization	Page 34
6.16. Interest Coverage Ratio	Page 34
ARTICLE VII DEFAULTS	Page 34
ARTICLE VIII ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES	Page 36
8.1. Acceleration	Page 36
8.2. Amendments	Page 36
8.3. Preservation of Rights	Page 37
ARTICLE IX GENERAL PROVISIONS	Page 37

9.1. Survival of Representations	Page 37	
9.2. Governmental Regulation	Page 38	
9.3. Headings	Page 38	
9.4. Entire Agreement	Page 38	
9.5. Several Obligations; Benefits of this Agreement	Page 38	
9.6. Expenses; Indemnification	Page 38	
9.7. Numbers of Documents	Page 39	
9.8. Accounting	Page 39	
9.9. Severability of Provisions	Page 39	
9.10. Nonliability of Lenders	Page 39	
9.11. Confidentiality	Page 40	
9.12. Nonreliance	Page 40	
ARTICLE X THE ADMINISTRATIVE AGENT	Page 40	
10.1. Appointment; Nature of Relationship		Page 40
10.2. Powers	Page 40	
10.3. General Immunity	Page 40	
10.4. No Responsibility for Loans, Recitals, etc.	Page 41	
10.5. Action on Instructions of Lenders		Page 41
10.6. Employment of Administrative Agents and Counsel	Page 41	
10.7. Reliance on Documents; Counsel Administrative Agent's Reimbursement and Indemnification	Page 42	
10.9. Notice of Default	Page 42	
10.10. Rights as a Lender	Page 42	
10.11. Lender Credit Decision	Page 43	
10.12. Successor Administrative Agent	Page 43	
10.13. Administrative Agent's Fee.	Page 44	
10.14. Delegation to Affiliates.	Page 44	
ARTICLE XI SETOFF; RATABLE PAYMENTS	Page 44	
11.1. Setoff	Page 44	
11.2. Ratable Payments	Page 44	
ARTICLE XII BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS	Page 45	
12.1. Successors and Assigns	Page 45	
12.2. Participations	Page 45	
12.2.1. Permitted Participants; Effect	Page 45	
12.2.2. Voting Rights	Page 45	
12.2.3. Benefit of Setoff	Page 46	
12.3. Assignments	Page 46	
12.3.1. Permitted Assignments	Page 46	
12.3.2. Effect; Effective Date	Page 46	
12.4. Dissemination of Information	Page 47	

12.5. Tax Treatment Page 47

ARTICLE XIII NOTICES Page 47

13.1. Notices Page 47

13.2. Change of Address Page 48

ARTICLE XIV COUNTERPARTS Page 48

ARTICLE XV CHOICE OF LAW; CONSENT TO  
JURISDICTION; WAIVER OF  
JURY TRIAL Page 48

15.1. CHOICE OF LAW Page 48

15.2. CONSENT TO JURISDICTION Page 48

15.3. WAIVER OF JURY TRIAL Page 49

PRICING SCHEDULE

SCHEDULE I (COMMITMENTS)

SCHEDULE 6.12 (LIENS)

SCHEDULE 6.17 (AGREEMENTS RESTRICTING SUBSIDIARY DIVIDENDS)

EXHIBIT A FORM OF OPINION

EXHIBIT B FORM OF COMPLIANCE CERTIFICATE

EXHIBIT C FORM OF ASSIGNMENT AGREEMENT

EXHIBIT D FORM OF LOAN/CREDIT RELATED MONEY TRANSFER INSTRUCTION

EXHIBIT E FORM OF NOTE

## CREDIT AGREEMENT

This Agreement dated as of October 3, 2001 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

As used in this Agreement:

"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 the Lenders, as reduced from time to time pursuant to the terms hereof.

"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 Fee Rate" means, at any time, the percentage rate per annum at which commitment fees are accruing on the unused portion of the Aggregate Commitment at such time as set forth in the Pricing Schedule.



"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.

"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.

"Attributable Indebtedness" means, on any date, (a) 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 (b) 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 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.

"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 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 EBITDA" 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) the amount of depreciation and amortization expense deducted in determining such Consolidated Net Income plus (v) all other non-cash items that reduce Consolidated Net Income for such period minus (vi) 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.

"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 Net Worth" means, as to the Borrower, (a) the consolidated total assets appearing on the most recently prepared consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, as of the end of the most recent fiscal quarter for which such balance sheet is available, less (b) all consolidated total liabilities as shown on such balance sheet in accordance with GAAP.

"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.

"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.

"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 rate determined by the Administrative Agent to be the rate at which Bank One 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 approximately 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 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.

"Facility Termination Date" means February 28, 2002 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.

"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 EBITDA 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, however, 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, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

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

"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.

"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, without limitation, 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 loan made pursuant to Article II (or any conversion or continuation thereof).

"Loan Documents" means this Agreement and each Note issued pursuant to Section 2.13.

"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 or the Lenders thereunder; provided that a material adverse effect on the business, Property, condition (financial or otherwise), results of operations, or prospects of any DTI Company will not be deemed to constitute a Material Adverse Effect under CLAUSE (i).

"Material Indebtedness" is defined in Section 7.5.

"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.

"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 accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Administrative Agent or any indemnified party arising under the Loan Documents.

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

"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.

"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.

"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, however, 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 unpaid principal amount of the outstanding Advances.



"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.

"Restructuring" means the transaction or transactions pursuant to which KCPL will become a Wholly-Owned Subsidiary of the Borrower.

"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, each Subsidiary of the Borrower which (a) as of the date of determination, owns consolidated assets equal to or greater than 15% (or, in the case of any DTI Company, 20%) of the consolidated assets of the Borrower and its Subsidiaries or (b) 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. 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 (a) a so-called synthetic or off-balance sheet or tax retention lease, or (b) 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.

"`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.

"Total Indebtedness" means all Indebtedness of the Borrower and its Consolidated Subsidiaries on a consolidated basis, 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 of KLT Inc. and its Subsidiaries incurred after May 15, 1996 in an aggregate amount up to \$275,000,000, (iv) Indebtedness of the DTI Companies, provided that neither the Borrower nor any of its Subsidiaries (other than any DTI Company) shall have any obligation (contingent or otherwise) with respect to such Indebtedness, and (v) 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.

"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.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## ARTICLE II

### THE CREDITS

2.1. COMMITMENT. From and including the date of this Agreement and prior to the Facility Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, 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. 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 to lend hereunder shall expire on the Facility Termination Date.

2.2. REQUIRED PAYMENTS; TERMINATION. Any outstanding Advances and all other unpaid

obligations shall be paid in full by the Borrower on the Facility Termination Date.

2.3. RATABLE LOANS. Each Advance hereunder shall consist of Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment.

2.4. TYPES OF ADVANCES. 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.

2.5. COMMITMENT FEE; REDUCTIONS IN AGGREGATE COMMITMENT. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee at a per annum rate equal to the Applicable Fee Rate on the daily unused portion of such Lender's Commitment from the date hereof to and including the Facility Termination Date, payable on each Payment Date hereafter and on the Facility Termination Date. The Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders 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, however, that the amount of the Aggregate Commitment may not be reduced below the aggregate principal amount of the outstanding Advances. All accrued commitment fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Loans hereunder.

2.6. MINIMUM AMOUNT OF EACH EURODOLLAR ADVANCE. Each Eurodollar Advance shall be in the minimum amount of \$1,000,000 or an integral multiple thereof.

2.7. OPTIONAL PRINCIPAL PAYMENTS. The Borrower may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances, or, in a minimum aggregate amount of \$1,000,000 or an integral multiple thereof, any portion of the outstanding Floating Rate Advances upon two Business Days' prior notice to the Administrative Agent. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of \$1,000,000 or an integral multiple thereof, any portion of the outstanding Eurodollar Advances upon three Business Days' prior notice to the Administrative Agent.

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 2.6, 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
- (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.

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 and (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; 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 shall be applicable to all Advances 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 (local time) on the date when due and shall be applied ratably by the Administrative Agent among the Lenders. 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 Administrative Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender.

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 and (c) 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 paragraphs (i) and (ii) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, 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 paragraphs (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 (local time) at the place of payment (it being understood that the Administrative Agent shall be deemed to have received a payment prior to noon (local 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 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.



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 or applicable Lending Installation 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 or any applicable Lending Installation 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
- (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 or any applicable Lending Installation (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 or any applicable Lending Installation of making, funding or maintaining its Eurodollar Loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with its Eurodollar Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Eurodollar Loans held or interest received by it, by an amount deemed material by such Lender,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation of making or maintaining its Eurodollar Loans or Commitment or to reduce the return received by such Lender or applicable Lending Installation in connection with such Eurodollar Loans or Commitment, then, within 15 days of demand by such Lender, the Borrower shall pay such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction in amount received.

3.2. CHANGES IN CAPITAL ADEQUACY REGULATIONS. If a Lender determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a Change, then, within 15 days of demand by such Lender, the Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its

Commitment to make Loans 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 the Risk-Based Capital Guidelines or (ii) any adoption of or change in 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 or any Lending Installation or any corporation controlling any Lender. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) 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, or (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, 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 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 on the date 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, without limitation, 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 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 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 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.

- (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 from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("Other Taxes").
- (iii) The Borrower hereby agrees to indemnify the Administrative Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Administrative Agent or such Lender 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 or such Lender makes demand therefor pursuant to Section 3.6.
- (iii) 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 without limitation 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.

(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 Installation 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 shall deliver a written statement of such Lender to the Borrower (with a copy to the Administrative Agent) as to the amount due, if any, 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 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 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.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. INITIAL ADVANCE. The Lenders shall not be required to make the initial Advance hereunder until the Borrower has furnished to the Administrative Agent with (a) evidence that the Restructuring has been completed and (b) 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) Any Notes requested by a Lender pursuant to Section 2.13 payable to the order of each such requesting Lender.
- (vii) 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.
- (viii) Written money transfer instructions, in substantially the form of Exhibit D, addressed to the Administrative Agent and signed by an Authorized Officer,

together with such other related money transfer authorizations as the Administrative Agent may have reasonably requested.

- (ix) Such other documents as any Lender or its counsel may have reasonably requested.

4.2. EACH ADVANCE. The Lenders shall not be required to make any Advance (other than an Advance that, after giving effect thereto and to the application of the proceeds thereof, does not increase the aggregate amount of outstanding Advances), unless on the applicable Borrowing Date:

- (i) there exists no Default or Unmatured Default.
- (ii) the representations and warranties contained in Article V are true and correct as of such Borrowing Date 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.
- (iii) the SEC Order shall not have expired or been revoked and shall permit the Borrower to incur the Indebtedness evidenced by such Advance. The Borrower shall, upon request, provide the Administrative Agent with evidence satisfactory to the Administrative Agent that, after giving effect to such Advance, 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 Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit B as a condition to making an Advance.

## 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 December 31, 2000, March 31, 2001 and June 30, 2001 consolidated financial statements of KCPL 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 date and the consolidated results of their operations for the period then ended subject, in the case of the March 31, 2001 and June 30, 2001 financial statements, to normal year-end adjustments.

5.5. MATERIAL ADVERSE CHANGE. Since December 31, 2000, except as disclosed in the Borrower's `34 Act Reports for the fiscal quarters ended March 31, 2001 and June 30, 2001, 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 AND CONTINGENT OBLIGATIONS. 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 could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Loans. 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.

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. PLAT ASSETS; PROHIBITED TRANSACTIONS. The Borrower is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. 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 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 Five," 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.
- (iv) 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 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 ERISA Affiliate 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 such ERISA Affiliate proposes to take with respect thereto.
- (v) As soon as possible and in any event within two days after receipt of notice by the Borrower or any ERISA Affiliate 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 Advances (i) to provide funding to KLT Inc. to repay its outstanding credit facility agented by Bank One, NA, and (ii) for the general corporate and working capital purposes of the Borrower and its Subsidiaries. The Borrower will not use any of the proceeds of the Advances 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 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.

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, without limitation, 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 Event of 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 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) 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, however, 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 Credit 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 and DTI Companies) 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) 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 and DTI Companies) as calculated as of the end of the most recent fiscal quarter.

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.
- (v) Liens existing on the date hereof and, in the case of any Significant Subsidiary other than KCPL, described in SCHEDULE 6.12 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 granted in, or sales of, such Person's accounts receivable.
- (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 which would otherwise not be permitted by clauses (i) through (xvi) 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, without limitation, 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 (xvii) 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 and any DTI Company), the Borrower will not, and will not permit any Subsidiary (other than any Project Finance Subsidiary and any DTI Company) to, enter into any transaction (including, without limitation, 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 2.0 to 1.0.

6.17. RESTRICTIONS ON SUBSIDIARY DIVIDENDS. Except as described in Schedule 6.17, 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, or nonpayment of interest upon any Loan or of any commitment fee or other obligations 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, 6.11, 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 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.

7.5. Failure of the Borrower or any of its Significant Subsidiaries (other than any DTI Company) 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 (other than any DTI Company) 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 (other than any DTI Company) 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 (other than any DTI Company) 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 (other than any DTI Company) 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, 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 (other than any DTI Company) 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 (other than any DTI Company) 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.

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. 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 shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent or any Lender. If any other Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may terminate or suspend the obligations of the Lenders to make Loans hereunder, 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.

If, 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 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, however, that no such supplemental agreement shall, without the consent of all of the Lenders:

- (i) Extend the final maturity of any Loan 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 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.

No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent. 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 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 Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan 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 and the Lenders 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 Loans 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.

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 and the Lenders and supersede all prior agreements and understandings among the Borrower, the Administrative Agent and the Lenders 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, however, 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, without limitation, via the internet), review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Arranger and the Lenders for any reasonable costs, internal charges and expenses (including fees and charges of attorneys for the Administrative Agent, the Arranger and the Lenders, which attorneys may be employees of the Administrative Agent, the Arranger or the Lenders) paid or incurred by the Administrative Agent, the Arranger or any Lender in connection with the collection and enforcement of the Loan Documents.
- (ii) The Borrower hereby further agrees to indemnify the Administrative Agent, the Arranger, each Lender, their respective affiliates and the directors, officers and employees of the foregoing against all losses, claims, damages, penalties,

judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Administrative Agent, the Arranger or any Lender 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 Loan 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 and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent, the Arranger nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Administrative Agent, the Arranger nor any Lender 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 neither the Administrative Agent, the Arranger nor any Lender 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. Neither the Administrative Agent, the Arranger nor any Lender 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. CONFIDENTIALITY. Each Lender agrees to hold any confidential information which it may receive from the Borrower or any Subsidiary pursuant to this Agreement in confidence, except for disclosure (i) to its Affiliates and to other Lenders and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to that Lender or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which that Lender is a party, and (vi) permitted by Section 12.4.

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.

## ARTICLE X

### THE ADMINISTRATIVE AGENT

10.1. APPOINTMENT; NATURE OF RELATIONSHIP. 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.

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 or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, 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, 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 ADMINISTRATIVE 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 Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (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, without limitation, for any expenses incurred by the 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, without limitation, 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 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 or 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. 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 that certain letter agreement dated October 2, 2001 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 Loans (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of Loans. 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 proportion to their Loans. 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, however, 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 entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest 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 Loans 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 Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Loan or Commitment, extends the Facility Termination Date or postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Commitment.

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.

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, however, 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) be in an amount not less than the lesser of (i) \$10,000,000 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; 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 \$3,500 fee to the Administrative Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. 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 Loans 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 Loans 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.

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 2.13 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.

#### ARTICLE XV

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

15.1. 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.

15.2. 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 AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE 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.

15.3. WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT AND EACH LENDER 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.



IN WITNESS WHEREOF, the Borrower, the Lenders 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: Vice President-Finance, CFO &  
Treasurer

Address:  
1200 Walnut  
Kansas City, Missouri 64141  
Attention: Andrea F. Bielsker, Treasurer  
Telephone: 816-556-2595  
Fax: 816-556-2992

BANK ONE, NA,  
Individually and as Administrative Agent

By:/S/MARYLU D. CRAMER  
Title: Vice President

Address:  
1 Bank One Plaza  
Chicago, Illinois 60670  
Attention: MaryLu Cramer  
Telephone: 312-732-7579  
Fax: 312-732-3055

## Amended and Restated Lease

Dated as of October 12, 2001

between

Kansas City Power & Light Company,  
as the Lessee

and

Wells Fargo Bank Northwest, National Association,  
a national banking association,  
as Lessor

---

 Kansas City Power & Light Company Project 2001 Lease Financing
 

---

This Lease is encumbered by a lien in favor of Wells Fargo Bank Nevada, National Association, as Administrative Agent for the benefit of the Participants. This Lease has been executed in several counterparts. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no lien on this Lease may be created through the transfer or possession of any counterpart other than the original counterpart containing the receipt therefor executed by the Administrative Agent on or following the signature page hereof.

THIS COUNTERPART IS [NOT] THE ORIGINAL COUNTERPART.

## TABLE OF CONTENTS

Section	Heading	Page
Article I	Definitions; Interpretation; Amendment and Restatement	1
Section 1.1.	Definitions; Interpretation	1
Section 1.2.	Amendment and Restatement	2
Article II	Lease of Leased Property; Lease Term	2
Section 2.1.	Acceptance and Lease of the Leased Property	2
Section 2.2.	Acceptance, Testing and Initial Use Procedures	2
Section 2.3.	Term	3
Section 2.4.	Title.	3
Section 2.5.	Contract Matters	3
Section 2.6.	[Intentionally Deleted]	3
Section 2.7.	Ground Leases	3
Article III	Payment of Rent	4
Section 3.1.	Rent	4
Section 3.2.	Payment of Basic Rent	4
Section 3.3.	Supplemental Rent	4
Section 3.4.	Method of Payment	5
Article IV	Quiet Enjoyment; Right to Inspect	5
Section 4.1.	Non-Interference.	5
Section 4.2.	Inspection and Reports	5
Article V	Net Lease, Etc.	6
Section 5.1.	Net Lease, Etc	6
Section 5.2.	No Termination or Abatement.	7
Article VI	Assignments, Subleases and Delegations	8
Article VII	Lessee Acknowledgments	9
Section 7.1.	Condition of the Leased Property	9
Section 7.2.	Risk of Loss	9
Section 7.3.	Certain Duties and Responsibilities of Lessor.	9

Article VIII Possession and Use of the Property, Etc.	10
Section 8.1. Possession and Use of the Leased Property.	10

Section 8.2. Compliance with Requirements of Law and Insurance Requirements	10
Article IX Maintenance and Repair; Reports	11
Section 9.1. Maintenance and Repair	11
Section 9.2. Maintenance and Repair Reports	11
Article X Modification, Etc.	11
Section 10.1.Improvements and Modification	11
Section 10.2.Title to Modifications.	13
Article XI Covenants with Respect to Liens and Easements	14
Section 11.1.Covenants with Respect to Liens.	14
Section 11.2.Lessee's Grants and Releases of Easements; Lessor's Waivers	14
Article XII Permitted Contests	15
Section 12.1.Permitted Contests in Respect of Liens and Applicable Laws.	15
Article XIII Insurance	16
Section 13.1.Required Coverages.	16
Section 13.2.Insurance Coverage	17
Section 13.3.Delivery of Insurance Certificates	17
Section 13.4.Insurance by Lessor, Administrative Agent or any Participant	17
Article XIV Casualty and Condemnation	18
Section 14.1.Casualty and Condemnation.	18
Section 14.2.Environmental Matters	19
Section 14.3.Notice of Environmental Matters	19
Article XV Termination of Lease	20
Section 15.1.Termination upon Certain Events.	20
Section 15.2.Termination Procedures.	20
Article XVI Events of Default	20
Section 16.1.Events of Default	20
Section 16.2.Remedies.	22
Section 16.3.Waiver of Certain Rights	26
Section 16.4.Grant of Security Interest.	26
Section 16.5.Determinations of Certain Events of Default	26
Section 16.6.Lessor Sale	26

Article XVII	Lessor's Right to Cure	27
	Section 17.1.The Lessor's Right to Cure the Lessee's Defaults	27
Article XVIII	Purchase Provisions	27
	Section 18.1.Early Termination Option	27
Article XIX	End of Term Options	28
	Section 19.1.End of Term Options	28
	Section 19.2.Election of Options	29
	Section 19.3.Renewal Options.	29
Article XX	Sale Option	29
	Section 20.1.Sale Option Procedures.	29
	Section 20.2.Certain Obligations Continue	32
	Section 20.3.Failure to Sell Leased Property	32
Article XXI	Procedures Relating to Purchase or Sale Option	34
	Section 21.1.Provisions Relating to Conveyance of the Leased Property Upon Purchase by the Lessee, Sales or Certain Other Events.	34
Article XXII	Acceptance of Surrender	36
	Section 22.1.Acceptance of Surrender.	36
Article XXIII	No Merger of Title	36
	Section 23.1.No Merger of Title	36
Article XXIV	Intent of the Parties	36
	Section 24.1.Nature of Transaction	36
	Section 24.2.Lessee Grant of Mortgage and Security Interest	38
Article XXV	Miscellaneous	39
	Section 25.1.Survival; Severability; Etc	39
	Section 25.2.Amendments and Modifications	39
	Section 25.3.No Waiver	39
	Section 25.4.Notices	39
	Section 25.5.Successors and Assigns.	40
	Section 25.6.Headings and Table of Contents	40
	Section 25.7.Counterparts.	40
	Section 25.8.Governing Law	40
	Section 25.9.Original Lease	40
	Section 25.10.Limitations on Recourse	40

Section 25.11.Transfer of Leased Property	41
Section 25.12.Effective Date	41

Signature	1
-----------	---

Exhibits

Exhibit A - Form of Memorandum of Lease	
Exhibit B - Description of Leased Property	

AMENDED AND RESTATED LEASE

This Amended and Restated Lease dated as of October 12, 2001 (as amended, supplemented, or otherwise modified from time to time, this "LEASE"), between Wells Fargo Bank Northwest, National Association, a national banking association, as Lessor ("LESSOR"), and Kansas City Power & Light Company, a Missouri corporation ("LESSEE").

WITNESSETH:

A. The parties are now entering into the Operative Documents in order to provide financing for the Leased Property.

B. Lessor and Lessee have previously entered into that certain Lease dated as of April 27, 2001 (the "ORIGINAL LEASE") and by entering into this Lease desire to amend and restate the Original Lease in its entirety.

C. During the Commitment Period, Lessor, using Advances funded by the Participants, will reimburse Lessee or pay directly to the Persons entitled thereto the Project Costs. Pursuant to the Project Supervisory Agreement being entered into between Lessor and Lessee, as Supervisory Agent, Supervisory Agent will supervise (i) the purchase and Shipment of the Equipment under the Equipment Contracts and (ii) the assembly and installation of the Equipment and the construction of the Financed Improvements pursuant to the Project Agreements.

D. Pursuant to this Lease, Lessor will lease the Leased Property, inclusive of Lessor's leasehold interest in the Leased Property, to Lessee and Lessee will lease the Leased Property from Lessor.

Now, Therefore, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION; AMENDMENT AND RESTATEMENT

SECTION 1.1. DEFINITIONS; INTERPRETATION. For all purposes hereof, the capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in Appendix 1 to that certain Amended and Restated Participation Agreement dated as of even date herewith, among Kansas City Power & Light Company, as Lessee and Supervisory Agent; Wells Fargo Bank Northwest, National Association, not in its individual capacity, except as expressly stated therein, but solely as Certificate Trustee and Lessor; Wells Fargo Bank Nevada, National Association, not in its individual capacity except as expressly stated therein, but solely as Administrative Agent; the financial institutions named on Schedule I thereto, as Certificate Holders; the financial institutions listed on Schedule II thereto as Liquidity Banks; Hatteras Funding Corporation, as CP Lender; Jupiter Securitization Corporation, as CP Lender; Bank of

America, N.A., as Administrator and Liquidity Agent for Hatteras Funding Corporation; and Bank One, NA, as Administrator and Liquidity Agent for Jupiter Securitization Corporation (as the same may be further amended, supplemented or otherwise modified from time to time pursuant thereto, the "PARTICIPATION AGREEMENT"); and the rules of interpretation set forth in Appendix 1 to the Participation Agreement shall apply to this Lease. All obligations imposed on the "Lessee" in this Lease shall be full recourse liabilities of Lessee.

SECTION 1.2. AMENDMENT AND RESTATEMENT. This Lease amends and restates in its entirety the Original Lease and, upon effectiveness of this Lease, the terms and provisions of the Original Lease shall be superseded and governed hereby. Each of the parties to the Original Lease consents to this amendment and restatement pursuant to Section 25.2 thereof.

ARTICLE II  
LEASE OF LEASED PROPERTY; LEASE TERM

SECTION 2.1. ACCEPTANCE AND LEASE OF THE LEASED PROPERTY. (a) Lessor, subject to the satisfaction or waiver of the conditions set forth in Article VI of the Participation Agreement, hereby agrees to enter into the Ground Lease for the Site and to provide funds for the purchase and construction of the Equipment and the Financed Improvements.

(b) Beginning on the Base Term Commencement Date, Lessor hereby leases all of Lessor's interest in the Leased Property to Lessee hereunder, and Lessee hereby leases pursuant to the terms hereof the Leased Property from Lessor for the Term.

SECTION 2.2. ACCEPTANCE, TESTING AND INITIAL USE PROCEDURES. Lessor hereby authorizes Lessee, as the authorized representative of Lessor, to accept delivery of the Leased Property, including without limitation the Equipment and the Financed Improvements to be constructed on the Site[s], upon the Base Term Commencement Date. Lessee hereby agrees that, subject to Section 2.3(b), delivery at the Site and payment from Advances for any portion of the Financed Improvements shall, without further act, constitute the irrevocable acceptance by Lessee of all such Financed Improvements for all purposes of this Lease and the other Operative Documents on the terms set forth herein and therein and shall constitute Lessee's agreement to lease the Leased Property pursuant to the terms hereof during the Term. Notwithstanding anything herein to the contrary, the acceptance of the Financed Improvements for purposes of this Lease shall not constitute and shall not be deemed to be acceptance thereof under any Project Agreement. Pursuant to the Project Supervisory Agreement, the Lessee will test the Units, and, to the extent the Units are capable of use prior to the Base Term Commencement Date, the Lessee is granted a license and is authorized to use the Units in the ordinary course of its business. The Lessee agrees that the testing and use prior to the Base Term Commencement Date of the Units will be subject to the terms of Articles VIII and IX hereof and may not occur unless the insurance required by Article XIII is fully effective and applicable in respect of such Units, except to the extent that equivalent coverage is provided under the insurance obtained by the Supervisory Agent pursuant to the Project Supervisory Agreement and in full force and effect.

SECTION 2.3. TERM. (a) Unless earlier terminated, the term of this Lease shall consist of (i) a base term (the "BASE TERM") commencing on and including the Base Term



Commencement Date and ending on but not including the fifth anniversary of the Second Document Closing Date, and, (ii) if exercised and approved pursuant to each of the terms and conditions of Section 4.7 of the Participation Agreement and exercised pursuant to the terms of this Lease, including Article XIX hereof, each Lease Renewal Term (the Base Term and the Lease Renewal Terms, if any, being collectively referred to as, the "TERM").

(b) Prior to the Base Term Commencement Date, the Leased Property shall be subject to the provisions of this Lease as it is acquired, constructed or equipped as the case may be, but only to the extent and subject to the limitations set forth in Section 2.6(b)(viii) of the Project Supervisory Agreement.

SECTION 2.4. TITLE. The Leased Property is leased to the Lessee without any representation or warranty, express or implied (other than with respect to the absence of Lessor Liens), by the Lessor and subject to the rights of parties in possession, the existing state of title with respect thereto and all Applicable Laws and any violations thereof. The Lessee shall in no event have any recourse against the Lessor for any defect in or exception to title to the Leased Property or any Unit other than resulting from Lessor Liens created by Lessor or a breach by the Lessor of its obligations under Article XXI.

SECTION 2.5. CONTRACT MATTERS. Lessor hereby transfers to Lessee and assigns without warranty of any kind, during the Term, effective upon the Base Term Commencement Date and so long as no Event of Default exists, any warranties made by the Manufacturers with respect to the Equipment and each General Contractor or any other Person under the Project Agreements with respect to the Financed Improvements but excluding in each case Liquidated Damages, which will be applied pursuant to Section 5.3(c)(iv) of the Participation Agreement. If necessary, the Lessor will join in any proceedings to enforce any such warranties or permit them or any part thereof to be brought in its name if and so long as (i) no Event of Default exists and (ii) the Lessee agrees in writing to pay, and pays, all related expenses. Lessee hereby acknowledges, and agrees to comply with and be bound by, the limitations of liability of and protection of each Manufacturer, each General Contractor and each other Person against liability as and to the extent provided in the Equipment Contracts and each Project Agreement. Lessee hereby further agrees to comply with and be bound by the provisions of the Equipment Contracts regarding the protection of proprietary information as and to the extent provided in said contracts.

SECTION 2.6. [INTENTIONALLY DELETED].

SECTION 2.7. GROUND LEASES. (a) This Lease is and shall be at all times subject to all of the terms, covenants and conditions of the Ground Leases and shall in all respects be limited to the estate granted to Lessor by Ground Lessor pursuant to the Ground Leases. Excluding only the obligations with regard to the payment of basic rental under the Ground Leases, Lessee assumes and agrees to be bound by the terms of and to perform all of the obligations and duties of Lessor under the Ground Leases. Lessee shall not commit or permit to be committed any act or omission which shall violate any terms, covenants or conditions of the Ground Leases. Lessee agrees that it shall promptly forward to Lessor any and all notices or other communications received by Lessee from the Ground Lessor under the Ground Leases.

(b) Where any approval or consent shall be required of Lessor pursuant to the provisions of this Lease, any other Operative Document, or the Ground Leases, Lessor may, without limitation, condition its approval or consent upon the obtaining of approval or consent of the Ground Lessor, at Lessee's sole cost and expense, where such consent or approval is, or may in the reasonable opinion of Lessor be, required under the Ground Leases. To the extent that the terms of the Ground Leases are more restrictive than the terms of the Lease, the terms of the Ground Leases shall be deemed incorporated herein as applicable.

(c) Lessor shall not agree to an amendment to or other modification to the Ground Lease without the prior written consent of Lessee, which consent Lessee may withhold in its sole and absolute discretion.

### ARTICLE III PAYMENT OF RENT

SECTION 3.1. RENT. (a) During the Term, the Lessee shall pay Basic Rent on each Payment Date, on the date required under Section 20.1(i) in connection with the Lessee's exercise of the Sale Option and on any date on which this Lease shall terminate with respect to the Leased Property.

(b) The Lessee's inability or failure to take possession of all or any portion of the Leased Property when accepted or deemed accepted hereunder, whether or not attributable to any act or omission of the Lessee or any act or omission of the Lessor, shall not delay or otherwise affect the Lessee's obligation to pay Rent in accordance with the terms of this Lease.

SECTION 3.2. PAYMENT OF BASIC RENT. Basic Rent shall be paid absolutely net to the Lessor, so that this Lease shall yield to the Lessor the full amount thereof, without setoff, deduction or reduction.

SECTION 3.3. SUPPLEMENTAL RENT. The Lessee shall pay to the Lessor or the Person entitled thereto any and all Supplemental Rent promptly as the same shall become due and payable, and if the Lessee fails to pay any Supplemental Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Basic Rent. Lessee hereby reaffirms that its obligation to pay Supplemental Rent shall include the payment of any and all Contingent Rent. The Lessee shall pay to the Lessor, as Supplemental Rent, among other things, on demand, to the extent permitted by Applicable Laws, interest at the applicable Overdue Rate on any installment of Basic Rent not paid when due for the period for which the same shall be overdue and on any payment of Supplemental Rent payable to the Lessor or any Indemnatee not paid when due for the period from the due date until the same shall be paid. The expiration or other termination of the Lessee's obligations to pay Basic Rent hereunder shall not limit or modify the obligations of the Lessee with respect to Supplemental Rent. Unless expressly provided otherwise in this Lease, in the event of any failure on the part of the Lessee to pay and discharge any Supplemental Rent as and when due, the Lessee shall also promptly pay and discharge any fine, penalty, interest or cost which may be assessed or added under any agreement with a third party for nonpayment or late payment of such Supplemental Rent, all of which shall also constitute Supplemental Rent.

SECTION 3.4. METHOD OF PAYMENT. Each payment of Rent shall be made by the Lessee to the Administrative Agent prior to 2:00 p.m., New York City time to the account of the Administrative Agent designated on Schedule III to the Participation Agreement (or in the case of Excepted Payments directly to the Person entitled thereto) in funds consisting of lawful currency of the United States of America which shall be immediately available on the scheduled date when such payment shall be due, unless such scheduled date shall not be a Business Day, in which case such payment shall be made on the next succeeding Business Day unless the result of such extension would be to carry into another calendar month, in which case such payment shall be made on the immediately preceding Business Day. Payments received after 2:00 p.m. New York City time on the date due shall for the purpose of Section 16.1 hereof be deemed received on such day; PROVIDED, HOWEVER, that for the purposes of the second sentence of Section 3.3 hereof, such payments shall be deemed received on the next succeeding Business Day and subject to interest at the Overdue Rate as provided in such Section 3.3.

ARTICLE IV  
QUIET ENJOYMENT; RIGHT TO INSPECT

SECTION 4.1. NON-INTERFERENCE. Subject to Section 4.2 hereof and subject to Lessor's cure rights, as provided for in Section 17.1, Lessor covenants that it will not interfere or authorize any person to interfere in Lessee's use or possession of the Leased Property during the Term pursuant to the terms of this Lease, the Lessee being granted the right to peaceful possession, use and quiet enjoyment of the Leased Property, so long as no Event of Default has occurred and is continuing, it being agreed that Lessee's remedies for breach of the foregoing covenant shall be limited to a claim for damages or the commencement of proceedings to enjoin such breach or seek specific performance of the covenant, as applicable. Such right is independent of and shall not affect Lessee's obligations hereunder and under the other Operative Documents or Lessor's rights otherwise to initiate legal action to enforce the obligations of Lessee under this Lease. The foregoing covenant shall not require Lessor to take any action contrary to, or which would permit Lessee to use the Leased Property for a use not permitted under the provisions of this Lease.

SECTION 4.2. INSPECTION AND REPORTS. (a) Upon five (5) Business Days' prior notice (or two (2) Business Day's prior notice during the existence of an Event of Default) to Lessee, Lessor or its authorized representatives (the "INSPECTING PARTIES") at any time during the Term may inspect (a) the Leased Property and (b) the books and records of Lessee relating to the Leased Property and make copies and abstracts therefrom and may discuss the affairs, finances and accounts with respect to the Leased Property with Lessee's officers, Lessee's independent public accountants (and, by this provision, Lessee authorizes and directs its independent public accountants to discuss such matters with the Inspecting Parties; PROVIDED, HOWEVER, that so long as no Event of Default shall have occurred and be continuing, the Lessor and its authorized representatives shall only be entitled to make one inspection in any twelve (12) month period; PROVIDED, FURTHER, that such limitation shall not be applicable during the period following the exercise and continuance of the Sale Option by the Lessee. All such inspections shall be during Lessee's normal business hours, shall be subject to Lessee's customary safety and security provisions and shall be at the expense and risk of the Inspecting Parties, except that, if an Event of Default or Default has occurred and is continuing, Lessee shall reimburse the Inspecting Parties for the reasonable costs of such inspections and such inspection shall be at Lessee's

expense. No inspection shall unreasonably interfere with Lessee's operations. None of the Inspecting Parties shall have any duty to make any such inspection or inquiry. None of the Inspecting Parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent such Inspecting Party causes damage to the Leased Property or any property of Lessee or any other Person during the course of such inspection.

(b) To the extent permissible under Applicable Laws, during the Term Lessee shall prepare and file in timely fashion, or, where Lessor shall be required to file, Lessee shall prepare and make available to Lessor within a reasonable time prior to the date for filing and Lessor shall file, any reports with respect to the condition or operation of the Leased Property that shall be required to be filed with any Governmental Authority.

ARTICLE V  
NET LEASE, ETC.

SECTION 5.1. NET LEASE, ETC. This Lease shall constitute a net lease and Lessee's obligations hereunder to pay Rent shall be absolute and unconditional under any and all circumstances. Any present or future law to the contrary notwithstanding, this Lease shall not terminate, nor shall the Lessee be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense (except prior payment in full of all Obligations then due and payable) with respect to the Rent (except as expressly provided herein at Section 12.1 to the extent a Permitted Contest thereunder relates to the payment of Supplemental Rent to a Person other than Administrative Agent, Lessor or any Participant), nor shall the obligations of the Lessee hereunder be affected (except as expressly herein permitted and by performance of the obligations in connection therewith) by reason of: (i) any defect in the condition, merchantability, design, construction, quality or fitness for use of the Leased Property or any part thereof, or the failure of the Leased Property to comply with all Applicable Laws, including any inability to use the Leased Property by reason of such non-compliance; (ii) any damage to, removal, abandonment, salvage, loss, contamination of, or Release from, scrapping or destruction of or any requisition or taking of the Leased Property or any part thereof; (iii) any restriction, prevention or curtailment of or interference with any use of the Leased Property or any part thereof; (iv) any defect in title to or rights to the Leased Property or any Lien on such title or rights or on the Leased Property (PROVIDED, that the foregoing shall not relieve any Person from its responsibility to remove Lessor Liens attributable to it); (v) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by the Lessor, the Administrative Agent or any Participant; (vi) to the fullest extent permitted by Applicable Laws, any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to the Lessee, the Lessor, the Administrative Agent, any Participant or any other Person, or any action taken with respect to this Lease by any trustee or receiver of the Lessee, the Lessor, the Administrative Agent, any Participant or any other Person, or by any court, in any such proceeding; (vii) any claim that the Lessee has or might have against any Person, including without limitation any Participant, or any vendor, manufacturer, contractor of or for the Leased Property, including any Manufacturer or General Contractor; (viii) any failure on the part of the Lessor to perform or comply with any of the terms of this Lease, of any other Operative Document or of any other agreement; (ix) any invalidity or unenforceability or illegality or disaffirmance of this Lease against or by the Lessee

or any provision hereof or any of the other Operative Documents or any provision of any thereof; (x) the impossibility or illegality of performance by the Lessee, the Lessor or both; (xi) any action by any court, administrative agency or other Governmental Authority; (xii) any restriction, prevention or curtailment of or interference with the Construction on or use of the Leased Property or any part thereof; (xiii) the failure of Lessee or any of its Affiliates to achieve any accounting or tax benefits or the characterization of the transaction intended by the parties as set forth at Section 24.1 hereof and Section 5.1 of the Participation Agreement; or (xiv) any other cause or circumstances whether similar or dissimilar to the foregoing and whether or not the Lessee shall have notice or knowledge of any of the foregoing. The Lessee's agreement in the preceding sentence shall not affect or waive any claim, action or right the Lessee may have against any Person. The parties intend that the obligations of the Lessee hereunder shall be covenants and agreements that are separate and independent from any obligations of the Lessor hereunder or under any other Operative Documents and the obligations of the Lessee shall continue unaffected unless such obligations shall have been modified or terminated in accordance with an express provision of this Lease.

SECTION 5.2. NO TERMINATION OR ABATEMENT. The Lessee shall remain obligated under this Lease in accordance with its terms and the terms of the other Operative Documents and shall not take any action to terminate, rescind or avoid this Lease (except as pursuant to the terms of this Lease and the other Operative Documents) to the fullest extent permitted by Applicable Laws, notwithstanding any action for bankruptcy, insolvency, reorganization, liquidation, dissolution, or other proceeding affecting the Lessor, the Administrative Agent or any Participant, or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator of the Lessor, the Administrative Agent or any Participant or by any court with respect to the Lessor, the Administrative Agent or any Participant. The Lessee hereby waives, to the extent permitted by Applicable Law, all right to terminate or surrender this Lease (except as provided herein) or to avail itself of any abatement, suspension, deferment, reduction, setoff, counterclaim or defense (other than prior payment in full of all Obligations then due and payable) with respect to any Rent (except as expressly permitted in this Lease at Section 12.1 to the extent a Permitted Contest thereunder relates to the payment of Supplemental Rent to a Person other than Administrative Agent, Lessor or any Participant). The Lessee shall remain obligated under this Lease in accordance with its terms and the terms of the other Operative Documents and the Lessee hereby waives, to the extent permitted by Applicable Law, any and all rights now or hereafter conferred by statute or otherwise to modify or to avoid strict compliance with its obligations under this Lease. Notwithstanding any such statute or otherwise, the Lessee shall be bound by all of the terms and conditions contained in this Lease.

#### ARTICLE VI ASSIGNMENTS, SUBLEASES AND DELEGATIONS

Except for subleases permitted by this Article VI, Lessee may not assign, mortgage, pledge or otherwise transfer to any Person, including an Affiliate of Lessee, at any time, in whole or in part, any of its right, title or interest in, or obligations to or under this Lease and any other Operative Document or to any portion of the Leased Property (except a purchase or sale of the Leased Property as permitted hereby and by the Project Supervisory Agreement), in any case

without the prior written consent of the Lessor and each Participant not to be unreasonably withheld, and any such assignment, mortgage or pledge shall be void.

Except for the leasehold interest granted to Lessor pursuant to the Ground Lease and as expressly permitted in this Article VI, Lessee may not, unless the consent of Lessor is granted, sublease, in whole or in part, any of its right, title or interest in, to or under this Lease or any portion of the Leased Property to any Person except that, notwithstanding the foregoing, following the Base Term Commencement Date, Lessee may, so long as no Event of Default exists, enter into subleases to an Affiliate of Lessee. With respect to any sublease permitted under this Article VI, Lessee shall not sublease any portion of the Leased Property to, or permit the sublease of any portion of the Leased Property by, any Person who shall then be engaged in any proceedings for relief under any bankruptcy or insolvency law or laws relating to the relief of debtors. Any Leased Property subleased pursuant to this Article VI must be used and operated in place at the Site, subject to the terms and conditions of this Lease.

No sublease hereunder will (a) discharge or diminish any of Lessee's obligations to Lessor hereunder or to any other Person under any other Operative Document, and Lessee shall remain directly and primarily liable under the Lease with respect to all of the Leased Property or (b) extend beyond the last day of the Term. Each sublease permitted hereby shall be made and shall expressly provide that it is subject and subordinate to this Lease and the rights of Lessor hereunder, and shall expressly provide for the surrender of the Leased Property subleased by the applicable sublessee at the election of Lessor after an Event of Default.

Lessee shall give Lessor prompt written notice of any sublease permitted under this Article VI, and Lessee shall, within fifteen (15) days after execution of any sublease, deliver to the Administrative Agent a fully executed copy of such sublease.

#### ARTICLE VII LESSEE ACKNOWLEDGMENTS

SECTION 7.1. CONDITION OF THE LEASED PROPERTY. The Lessee acknowledges and agrees that although the Lessor will own and hold title to the Leased Property, the Lessee, acting as agent, is solely responsible under the terms of the Project Supervisory Agreement (i) subject to the terms of the Equipment Contracts, for the design, development, budgeting and manufacture of the Equipment, (ii) for the design, development, budgeting and construction of the financed improvements, and (iii) any alterations or modifications and all activities conducted in connection therewith. the Lessee further acknowledges and agrees that it is leasing the property "as is" without representation, warranty or covenant (express or implied) by the Lessor, the Administrative Agent or the Participants and in each case subject to (a) the existing state of title (excluding lessor liens), (b) the rights of any parties in possession thereof, (c) any state of facts which an accurate survey or a physical inspection might show, and (d) violations of requirements of law with respect to the leased Property, Lessee or its operations on or with respect to the Leased Property which may exist on the date hereof or on the acquisition date for the Leased Property. None of the Lessor, any Agent or any of the Participants has made or shall be deemed to have made any representation,

warranty or covenant (express or implied except as expressly provided in the Operative Documents) or shall be deemed to have any liability whatsoever as to the title (other than for lessor liens), value, habitability, use, condition, design, operation, or fitness for use of the Leased Property (or any part thereof), or any other representation, warranty or covenant whatsoever, express or implied, with respect to the Leased Property (or any part thereof) and none of the Lessor, the Administrative Agent or the Participants shall be liable for any latent, hidden, or patent defect therein (other than for Lessor Liens) or the failure of the Leased Property, or any part thereof, to comply with any applicable laws. All risks incident to the matters discussed in the preceding sentence, as between Lessor, the Administrative Agent and the Participants, on the one hand, and Lessee, on the other, are to be borne by Lessee. The provisions of this Section 7.1 have been negotiated, and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by any of Lessor, the Administrative Agent or the Participants, express or implied, with respect to the Leased Property (or any interest therein), that may arise pursuant to any law now or hereafter in effect or otherwise.

SECTION 7.2. RISK OF LOSS. During the Term and subject to the limitations set forth in Section 3.2(c) of the Project Supervisory Agreement, as between Lessee and Lessor, the risk of loss of or decrease in the enjoyment and beneficial use of the Leased Property as a result of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise is assumed by the Lessee, and the Lessor shall in no event be answerable or accountable therefor.

SECTION 7.3. CERTAIN DUTIES AND RESPONSIBILITIES OF LESSOR. Lessor undertakes to perform such duties and only such duties as are specifically set forth herein and in the other Operative Documents, and no implied covenants or obligations shall be read into this Lease against Lessor, and Lessor agrees that it shall not, nor shall it have a duty to, manage, control, use, sell, maintain, insure, register, lease, operate, modify, dispose of or otherwise deal with the Leased Property or any other part of the Trust Estate in any manner whatsoever, except as required by the terms of the Operative Documents and as otherwise provided herein.

ARTICLE VIII  
POSSESSION AND USE OF THE PROPERTY, ETC.

SECTION 8.1. POSSESSION AND USE OF THE LEASED PROPERTY. Lessee agrees that the Leased Property will be used solely in the conduct of its business at the Site. At all times during the Term, the Leased Property shall remain in the possession and control of Lessee or a sublessee or assignee permitted hereunder; PROVIDED, HOWEVER that portions of the Equipment may be moved from the Site for maintenance, repair or replacement provided any such maintenance, repair or replacement is promptly undertaken and diligently completed and such Equipment is returned to the Site as promptly as reasonably practicable thereafter. Lessee warrants that the Leased Property will at all times be used and operated under and in compliance in all material respects with the terms of the Equipment Contracts and any other contracts or agreements applicable to the use or operation of the Leased Property or any portion thereof to which Lessee is a party or by which Lessee is

bound, or to the extent contemplated by the Operative Documents or, as a result of any action or omission of Lessee, to which Lessor is a party or by which Lessor is bound and in a manner consistent with the standards applied by the Lessee for Lessee's or its Affiliates' other power generation facilities. Lessee shall not use the Leased Property or any part thereof for any purpose or in any manner that would materially adversely affect the Fair Market Value, utility, remaining useful life or residual value of the Leased Property, ordinary wear and tear excepted. Lessee assumes and agrees to pay all fees, charges, costs, assessments, impositions, utilities and other amounts which relate to or arise during the Term in connection with use of the Leased Property. All such charges for utilities imposed with respect to the Leased Property for a billing period during which this Lease expires or terminates (except when Lessee purchases the Leased Property in accordance with the terms of this Lease, in which case Lessee shall be solely responsible for all such charges) shall be adjusted and prorated on a daily basis between Lessee and any purchaser of the Leased Property, and each party shall pay or reimburse the other for each party's PRO RATA share thereof; PROVIDED, that in no event shall Lessor have any liability therefor.

SECTION 8.2. COMPLIANCE WITH REQUIREMENTS OF LAW AND INSURANCE REQUIREMENTS. Subject to the terms of Article XII relating to permitted contests, the Lessee, at its sole cost and expense, shall comply in all material respects with all Applicable Laws (including all Environmental Laws), Insurance Requirements and manufacturer's operating standards and guidelines relating to the Leased Property, including the use, construction and operation thereof whether or not compliance therewith shall require structural or extraordinary changes in the Leased Property or interfere with the use and enjoyment of the Leased Property, and procure, maintain and comply in all material respects with all licenses, permits, orders, approvals, consents and other authorizations required for the use, operation, maintenance, repair and restoration of the Leased Property.

#### ARTICLE IX MAINTENANCE AND REPAIR; REPORTS

SECTION 9.1. MAINTENANCE AND REPAIR. On and after the Base Term Commencement Date, Lessee, at its own expense, shall at all times and in all material respects (a) maintain the Leased Property in good operating condition, subject to ordinary wear and tear, and in at least as good as the condition of similar property owned or leased by Lessee or its Affiliates and in good repair and condition; (b) maintain the Leased Property in accordance with Prudent Industry Practice and, in any event, in accordance with all Applicable Laws and Industry Standards affecting the Leased Property; (c) maintain the Leased Property in compliance with the Insurance Requirements and, to the extent necessary to preserve the validity of the manufacturer warranties, all manufacturer's suggested maintenance standards which are in effect and to the extent applicable at any time with respect to the Leased Property or any part thereof; (d) make all necessary or appropriate repairs, replacements, restorations and renewals of the Leased Property or any part thereof which may be required to keep the Leased Property in the condition required by the preceding clauses (a) through (c), structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen, and including, without limitation, repairs, replacements, restorations and renewals; and (e) procure, maintain and comply with all material licenses, permits, orders, approvals, consents and other authorizations required for the maintenance, use and operation, in the ordinary course of the Lessee's business, of the Leased Property. Lessee waives any right that it may now have or hereafter acquire to (x) require Lessor to maintain, repair, replace,



restore, alter, remove or rebuild all or any part of the Leased Property or (y) make repairs at the expense of Lessor pursuant to any Applicable Laws or other agreements.

SECTION 9.2. MAINTENANCE AND REPAIR REPORTS. On and after the Base Term Commencement Date, Lessee shall keep maintenance and repair reports in sufficient detail, at least on the same basis as records are kept for similar properties owned or leased by Lessee or any of its Affiliates (other than reporting requirements which are applicable only to a regulated utility), to indicate the nature and date of major work done at or to the Leased Property. Such reports shall be kept on file by Lessee, and shall be made available to Lessor upon reasonable request. Lessee shall give written notice to Lessor of any Event of Loss promptly after Lessee has knowledge thereof.

ARTICLE X  
MODIFICATION, ETC.

SECTION 10.1. IMPROVEMENTS AND MODIFICATIONS. (a) In addition to Lessee's obligations as Supervisory Agent under the Project Supervisory Agreement, on and after the Base Term Commencement Date, (i) Lessee, at Lessee's own cost and expense, shall make alterations, renovations, improvements and additions to the Leased Property or any part thereof and substitutions and replacements therefor (collectively, "MODIFICATIONS") which are (A) necessary to repair or maintain the Leased Property in the condition required by Section 9.1; (B) necessary in order for the Leased Property to be in compliance with Applicable Laws in all material respects; or (C) necessary or advisable to restore the Leased Property to its condition existing prior to a Casualty or Condemnation to the extent required pursuant to Article XIV; and (ii) so long as no Event of Default or Default has occurred and is continuing, Lessee, at Lessee's own cost and expense, may undertake Modifications to the Leased Property so long as such Modifications comply in all material respects with Applicable Laws and with Section 9.1 and subsection (b) of this Section 10.1.

(b) The making of any Modifications must be in compliance with the following requirements:

(i) No such Modifications with a cost exceeding \$10,000,000, other than scheduled maintenance to the Equipment required by the Manufacturers' operating standards and guidelines or reasonably anticipated repairs or replacements, shall be made or undertaken except upon not less than thirty days' prior written notice to Lessor.

(ii) No Modifications shall be undertaken (x) in violation in any material respect of the terms of any restriction, easement, condition, covenant or other similar matter affecting title to or binding on the Leased Property or (y) until Lessee shall have procured and paid for, so far as the same may be required from time to time, all material permits and authorizations to such Modifications of all Governmental Authorities having jurisdiction. Lessor, at Lessee's expense, shall join in the application for any such permit or authorization and execute and deliver any document in connection therewith, whenever such joinder is necessary or advisable.

(iii) The Modifications shall be completed in a good and workmanlike manner and in compliance in all material respects with all Applicable Laws then in effect and the standards imposed by any insurance policies required to be maintained hereunder or the manufacturer in order to maintain all warranties, and all Modifications must be located solely on the Site.

(iv) All Modifications shall, when completed, be of such a character as to not materially adversely affect the Fair Market Value, utility, remaining economic useful life or residual value of the Leased Property from the Fair Market Value, utility, remaining economic useful life or residual value thereof immediately prior to the making thereof or, in the case of Modifications being made by virtue of a Casualty or Condemnation, immediately prior to the occurrence of such Casualty or Condemnation. If any such Modification has a cost exceeding \$15,000,000 and if requested by the Required Participants, Lessor may obtain a report from the Independent Engineer or, at the option of the Required Participants, engage an appraiser of nationally recognized standing, at Lessee's sole cost and expense, to determine (by appraisal or other methods satisfactory to the Required Participants) the projected Fair Market Value of the Leased Property following completion of the Modifications relating thereto.

(v) Lessee shall have made adequate arrangements for payment of the cost of all Modifications when due so that the Leased Property shall at all times be free of Liens for labor and materials supplied or claimed to have been supplied to the Leased Property, other than Permitted Liens.

(c) Notwithstanding the foregoing, following the Base Term Commencement Date, Lessee, at its sole cost and expense, may make emergency expenditures for Modifications that otherwise comply with the requirements of this Section 10.1, even if such Modifications are not scheduled or reasonably anticipated or the cost thereof exceed the amounts set forth above, if any, provided Lessee has promptly given Lessor notice promptly following the earlier of such expenditure or Modification (which notice shall describe the amount and type of such expenditures, the Modifications made or to be made, and certifying that such Modifications otherwise comply with the requirements of this Section 10.1). The term "EMERGENCY EXPENDITURES" means expenditures necessary to prevent damage or injury to (or loss of) the Leased Property or any portion thereof or to prevent exposing any person or entity to damage or injury or to prevent any other act or omission which would, in the good faith judgment of Lessee expose Lessee, Lessor, Administrative Agent or any of the Participants to an unreasonable or unwarranted risk of loss, damage, or injury or to comply with Applicable Law.

SECTION 10.2. TITLE TO MODIFICATIONS. Title to the following described Modifications shall, without further act, vest in Lessor and shall be deemed to constitute a part of the Leased Property and be subject to this Lease:

(a) any Modifications commenced prior to the Base Term Commencement Date for the Financed Improvements or which are otherwise Funded by the Participants;

(b) Modifications that are in replacement of or in substitution for a portion of any item of Leased Property;

(c) Modifications that are required to be made pursuant to the terms of Section 10.1(a)(i) hereof; or

(d) Modifications that are Nonseverable.

Lessee, at Lessor's request, shall execute and deliver any deeds, bills of sale, assignments or other documents of conveyance reasonably necessary to evidence the vesting of title in and to such Modifications to Lessor.

If such Modifications are not within any of the categories set forth in clauses (a) through (d) of this Section 10.2, then title to such Modifications shall vest in Lessee and such Modifications shall not be deemed to be Modifications which are part of the Leased Property.

All Modifications to which Lessee shall have title may, so long as removal thereof shall not result in the violation of any Applicable Laws, shall not adversely affect the Lessee's ability to comply with its obligations under this Lease or any other Operative Document, and no Event of Default or Default is continuing, be removed at any time by Lessee. Lessee agrees to notify Lessor in writing at least 30 days before it removes any such Modifications which individually or in the aggregate had an original cost exceeding \$5,000,000, and Lessee shall at its expense repair any damage to the Leased Property caused by the removal of such Modifications. Lessor (or the purchaser of the Leased Property) may purchase from Lessee any such Modifications (if not already owned by Lessor) that Lessee intends to remove from the Leased Property prior to the return of the Leased Property to Lessor or sale of the Leased Property, which purchase shall be at the Fair Market Value of such Modifications as determined by the Appraiser at the time of such purchase. Title to any such Modifications shall vest in Lessor (or the purchaser of the applicable Leased Property) if not removed from the Leased Property by Lessee prior to the return of the Leased Property to Lessor or sale of the Leased Property.

#### ARTICLE XI COVENANTS WITH RESPECT TO LIENS AND EASEMENTS

SECTION 11.1. COVENANTS WITH RESPECT TO LIENS. (a) During the Term and subject to Section 12.1 hereof, Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on or with respect to any portion of the Leased Property, Lessor's title thereto, or any interest therein. Lessee, at its own expense, will promptly pay, satisfy and otherwise take such actions as may be necessary to keep the Leased Property free and clear of, and duly to discharge, eliminate or bond in a manner reasonably satisfactory to Lessor and the Administrative Agent, any such Lien (other than Permitted Liens) if the same shall arise at any time.

(b) Nothing contained in this Lease shall be construed as constituting the consent or request of the Lessor, expressed or implied, to or for the performance by any contractor, mechanic, laborer, materialman, supplier or vendor of any labor or services or for the furnishing

of any materials for any construction, alteration, addition, repair, restoration or demolition of or to the Leased Property or any part thereof. notice is hereby given that none of the Lessor, Administrative Agent or the Participants is or shall be liable for any labor, services or materials furnished or to be furnished to the Lessee, or to anyone holding the Leased Property or any part thereof through or under the Lessee, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of the Lessor, the Administrative Agent or any Participant in and to the Leased Property.

SECTION 11.2. LESSEE'S GRANTS AND RELEASES OF EASEMENTS; LESSOR'S WAIVERS. Following the Base Term Commencement Date and PROVIDED that no Default or Event of Default shall have occurred and be continuing, and subject to the provisions of Articles VII, IX and X and Section 8.2, and without the requirement of any further instrument or action of the Lessor, the Lessor hereby consents in each instance to the following actions by the Lessee in the name and stead of the Lessor and as the true and lawful attorney-in-fact of the Lessor with full power and authority to execute documents on behalf of the Lessor for the following purposes, but at the Lessee's sole cost and expense: (a) the granting of, or entry into agreements in connection with, easements, licenses, rights-of-way, building and use restrictions and covenants and other rights and privileges in the nature of easements or similar interests and burdens reasonably necessary or desirable for the use, repair, maintenance or protection of the Leased Property as herein provided; (b) the release of existing easements or other rights in the nature of easements which are for the benefit of, or burden to, the Leased Property; (c) the execution of amendments to, or waivers or releases of, any easements, licenses or covenants and restrictions affecting the Site; and (d) the exercise of all rights under any redevelopment agreement or document contemplated thereby affecting the Site; provided, however, that in each case (i) such grant, release, dedication, transfer, amendment, agreement or other action does not materially impair the value, utility, residual value or remaining useful life of the Leased Property, (ii) such grant, release, dedication, transfer, amendment, agreement or other action in the Lessee's judgment is reasonably necessary in connection with the use, maintenance, alteration or improvement of the Leased Property, (iii) such grant, release, dedication, transfer, amendment, agreement or other action will not cause the Leased Property or any portion thereof to fail to comply with the provisions of this Lease or any other Operative Documents and in all material respects, Applicable Laws (including, without limitation, all applicable zoning, planning, building and subdivision ordinances, all applicable restrictive covenants and all applicable architectural approval requirements); (iv) all governmental consents or approvals required prior to such grant, release, dedication, transfer, amendment, agreement or other action have been obtained, and all filings required prior to such action have been made; (v) the Lessee shall remain obligated under this Lease and under any instrument executed by the Lessee consenting to the assignment of the Lessor's interest in this Lease as security for indebtedness, in each such case in accordance with their terms, as though such grant, release, dedication, transfer, amendment, agreement or other action had not been effected; and (vi) the Lessee shall timely pay and perform any obligations of the Lessor under such grant, release, dedication, transfer, amendment, agreement or other action. Without limiting the effectiveness of the foregoing, PROVIDED, that no Default or Event of Default shall have occurred and be continuing, the Lessor shall, upon the request of the Lessee, and at the Lessee's sole cost and expense, execute and deliver any instruments necessary or appropriate to

confirm any such grant, release, dedication, transfer, amendment, agreement or other action to any Person permitted under this Section.

ARTICLE XII  
PERMITTED CONTESTS

SECTION 12.1. PERMITTED CONTESTS IN RESPECT OF LIENS AND APPLICABLE LAWS. If, to the extent and for so long as a test, challenge, appeal or proceeding for review of a Lien or any Applicable Laws relating to the Leased Property or any part thereof or the obligation to comply therewith shall be prosecuted diligently and in good faith in appropriate proceedings by the Lessee, during the Term, Lessee shall not be required to pay or discharge such Lien or comply with such Applicable Laws but only if and so long as any such test, challenge, appeal, proceeding, waiver, extension, forbearance or noncompliance shall not, in the reasonable opinion of the Lessor and the Administrative Agent involve (A) any risk of criminal liability being imposed on the Lessor, any Agent, any Participant or any item of Leased Property or (B) any material risk of (1) the foreclosure, forfeiture or loss of the Leased Property, or any material part thereof, (2) the nonpayment of Rent, (3) any sale of, or the creation of any Lien (other than a Permitted Lien) on, any material part of the Leased Property (PROVIDED, HOWEVER, nothing herein shall be deemed to reduce or diminish Lessee's obligations at Section 11.1), (4) civil or criminal liability being imposed on the Lessor, the Administrative Agent, any Participant or any material part of the Leased Property for which the Lessee is not obligated to indemnify such parties under the Operative Documents, or (5) enjoinder of, or interference with, the use, possession or disposition of the Leased Property in any material respect.

The Lessor shall, at the written request of the Lessee and at the Lessee's sole cost and expense, execute and deliver to the Lessee such authorizations and other documents as may be reasonably required in such test, challenge, appeal or proceeding. The Lessor will not be required to join in any proceedings pursuant to this Section 12.1 unless a provision of any Applicable Laws requires that such proceedings be brought by or in the name of the Lessor; and in that event the Lessor will join in the proceedings or permit them or any part thereof to be brought in its name if and so long as (i) the Lessee has not elected the Sale Option and (ii) the Lessee agrees in writing to pay, and pays, all related expenses and agrees in writing to indemnify the Lessor, the Administrative Agent and the Participants, in form and substance reasonably satisfactory to each of the respective Indemnitees, in respect of any claim relating thereto.

ARTICLE XIII  
INSURANCE

SECTION 13.1. REQUIRED COVERAGES. To the extent required below, during the Term, Lessee will provide or cause to be provided insurance with respect to the Leased Property of a character consistent with Lessee's insurance programs for similar equipment owned or leased by Lessee or its Affiliates and in keeping with Prudent Industry Practice; PROVIDED, that in any event Lessee will maintain at all times:

(a) GENERAL LIABILITY INSURANCE. Combined single limit insurance against claims for third-party bodily injury, including death, and third-party property damage occurring as a result of the ownership, use, maintenance or operation of the Leased Property in an amount at least equal to \$50,000,000 per claim made. Such coverage may be subject to deductibles or self-insured retentions up to an amount that is consistent with Lessee's insurance programs for similar property owned or leased by Lessee or its Affiliates and in keeping with Prudent Industry Practice.

(b) PROPERTY INSURANCE. Insurance against loss of or damage to the Leased Property or any portion thereof by reason of any peril in an amount consistent with Lessee's insurance program for similar equipment owned or leased by Lessee, in keeping with Prudent Industry Practice (subject to such deductibles and/or self-insurance in such minimum amounts as is consistent with Lessee's insurance program for similar property owned or leased by Lessee or its Affiliates, in keeping with Prudent Industry Practice; PROVIDED, HOWEVER, that at no time shall the amount of such coverage be less than the replacement cost of the Leased Property.

(c) OTHER INSURANCE. Lessee shall at all times maintain, or cause to be maintained, such other insurance as is required by Applicable Law governing the Lessee or the Leased Property. Additionally, Lessee shall provide such other coverages as Lessee, Lessor and Administrative Agent may mutually agree.

SECTION 13.2. INSURANCE COVERAGE. The insurance coverage required in Section 13.1 shall be written by reputable insurance companies that are financially sound and solvent and otherwise reasonably appropriate considering the amount and type of insurance being provided by such companies. Any insurance company selected by Lessee shall be rated in A.M. Best's Insurance Guide or any successor thereto (or if there be none, an organization having a similar national reputation) and shall have a general policyholder rating of "A" (or comparable rating for a rating by an organization other than A.M. Best) and a financial rating of at least "X" (or comparable rating for a rating by an organization other than A.M. Best) or be otherwise acceptable to the Required Participants. In the case of liability insurance maintained by Lessee, it shall name Lessor (both in its individual capacity and as Lessor), the Administrative Agent and each of the Participants, as additional insureds and, in the case of property insurance maintained by Lessee, it shall name Administrative Agent, as mortgagee and sole loss payee. Each policy referred to in Section 13.1 shall provide that: (i) it will not be canceled, materially modified or its limits reduced, or allowed to lapse without renewal, except after not less than 30 days' prior written notice to Lessor and Administrative Agent; (ii) the interests of Lessor, the Administrative Agent and any Participant shall not be invalidated by any act or negligence of or breach of warranty or representation by Lessee or any other Person having an interest in the Leased Property; (iii) such insurance is primary with respect to any other insurance carried by or available to Lessor, the Administrative Agent or any Participant; (iv) the insurer shall waive any right of subrogation, setoff, counterclaim, or other deduction, whether by attachment or otherwise, against Lessor; and (v) such policy shall contain a cross-liability clause providing for coverage of Lessor, the Administrative Agent and each Participant, as if separate policies had been issued to each of them. Lessee will notify Lessor and Administrative Agent promptly of any policy cancellation, reduction in policy limits, modification or amendment.

SECTION 13.3. DELIVERY OF INSURANCE CERTIFICATES. On the Base Term Commencement Date, Lessee shall deliver to Administrative Agent certificates of insurance satisfactory to Administrative Agent evidencing the existence of all insurance required to be maintained hereunder and setting forth the respective coverages, limits of liability, carrier, policy number and period of coverage. Thereafter, upon written request by Lessor following an Event of Default, Lessee shall deliver to Administrative Agent certificates of insurance evidencing that all insurance required by Sections 13.1 and 13.2 to be maintained by Lessee is in effect.

SECTION 13.4. INSURANCE BY LESSOR, ADMINISTRATIVE AGENT OR ANY PARTICIPANT. Each of Lessor, the Administrative Agent or any Participant may at its own expense carry insurance with respect to its interest in the Leased Property, and any insurance payments received from policies maintained by Lessor, the Administrative Agent or any Participant shall be retained by Lessor, the Administrative Agent or such Participant, as the case may be, without reducing or otherwise affecting Lessee's obligations hereunder.

ARTICLE XIV  
CASUALTY AND CONDEMNATION

SECTION 14.1. CASUALTY AND CONDEMNATION. (a) Subject to the provisions of this Article XIV, if all or any portion of the Leased Property suffers a Casualty (other than a Significant Casualty as to which a Termination Notice has been given), Lessee shall control the negotiations with the relevant insurer unless an Event of Default exists and any insurance proceeds payable with respect to such Casualty shall be paid directly to the Lessee, or if received by the Lessor, the Administrative Agent or the Lenders, shall be paid over to the Lessee and shall be used by Lessee solely for the reconstruction, restoration and repair of such Leased Property, and if the use of, access to, occupancy of or title to the Leased Property or any part thereof is the subject of a Condemnation (other than a Significant Condemnation as to which a Termination Notice has been given), then any award or compensation relating thereto shall be paid to the Lessee and shall be used by Lessee solely for the restoration of the Leased Property. Notwithstanding the foregoing, if any Event of Default, or Default in respect of payment obligations of the Lessee, shall have occurred and be continuing, such award, compensation or insurance proceeds shall be paid directly to the Administrative Agent or, if received by the Lessee, shall be held in trust for the Participants and shall be paid over by the Lessee to the Administrative Agent. All amounts held by the Lessor or the Administrative Agent on account of any award, compensation or insurance proceeds either paid directly to the Lessor or the Administrative Agent or turned over to the Lessor or the Administrative Agent, in each case after the occurrence and during the continuance of an Event of Default shall at the option of the Lessor (at the direction of the Required Participants) either be (A) paid to the Lessee for the repair of damage caused by such Casualty or Condemnation in accordance with this clause (a), or (B) applied to the Lease Balance and any other amounts owed by Lessee under the Operative Documents in accordance with Article XVI.

(b) In the event any part of the Leased Property becomes subject to condemnation or requisition proceedings during the Term, Lessee shall give notice thereof to Lessor promptly after Lessee has knowledge thereof and, to the extent permitted by Applicable Laws, Lessee shall control the negotiations with the relevant Governmental Authority unless an Event of Default

exists; PROVIDED, that in any event, Lessor may participate at Lessor's expense (or if an Event of Default exists Lessor may control or participate at Lessee's expense) in such negotiations; and PROVIDED in all cases, that no settlement will be made without Lessor's prior written consent (which consent shall not be unreasonably withheld or delayed). Lessee shall give to Lessor such information, and copies of such documents, which relate to such proceedings, or which relate to the settlement of amounts due under insurance policies required by Article XIII, and are in the possession of Lessee, as are reasonably requested by Lessor. If the proceedings relate to a Significant Condemnation, Lessee shall act diligently in connection therewith. Nothing contained in this Section 14.1(b) shall diminish Lessor's rights with respect to condemnation awards and property insurance proceeds under Articles XIII or XIV.

(c) In no event shall a Casualty or Condemnation affect the Lessee's obligations to pay Rent pursuant to Section 3.1 or to perform its obligations and pay any amounts due on the Expiration Date or pursuant to Articles XVIII and XXI.

(d) If, pursuant to this Article XIV, this Lease shall continue in full force and effect following a Casualty or Condemnation, the Lessee shall, at its sole cost and expense (and, without limitation, if any award, compensation or insurance payment is not sufficient to restore the Leased Property in accordance with this clause (d), Lessee shall pay the shortfall), promptly and diligently repair any damage to the Leased Property caused by such Casualty or Condemnation in conformity with the requirements of Sections 9.1 and 10.1 so as to restore the Leased Property to at least the same condition and value as existed immediately prior to such Casualty or Condemnation. In such event, title to the Leased Property shall remain with the Lessor subject to the terms of this Lease. Upon completion of such restoration, the Lessee shall furnish to Lessor a Responsible Officer's Certificate confirming that such restoration has been completed pursuant to this Lease.

SECTION 14.2. ENVIRONMENTAL MATTERS. Subject to Section 12.1 hereof, at Lessee's sole cost and expense, Lessee shall in a reasonably prompt and diligent manner undertake any response, clean up, remedial or other action to remove, clean up or remediate any Environmental Violation to the extent required by Applicable Laws with respect to the Leased Property.

SECTION 14.3. NOTICE OF ENVIRONMENTAL MATTERS. Lessee shall promptly provide to Lessor written notice of any pending or threatened claim, action or proceeding of which it has received written notice involving any Environmental Violation or any Release on, at, under or from Leased Property, which violation or Release could reasonably be expected to require in excess of \$5,000,000 in remediation costs, or which could result in the imposition of criminal penalties upon Lessor, any Agent or any Participant (any such claim, action or proceeding, a "MATERIAL ENVIRONMENTAL MATTER"). All such notices shall describe in reasonable detail the nature of the Material Environmental Matter and Lessee's proposed response thereto. In addition, Lessee shall provide to Lessor, within ten (10) Business Days of receipt, copies of all material written communications with any Governmental Authority relating to any such Material Environmental Matter. Lessee shall also promptly provide such detailed reports of any such Material Environmental Matter as may reasonably be requested by Lessor or the Administrative Agent. Upon completion of remedial action of such Material Environmental Matter by Lessee, Lessee shall cause to be prepared by an environmental consultant reasonably acceptable to Lessor and



Administrative Agent a report describing the Material Environmental Matter and the actions taken by Lessee (or its agents) in response to such Material Environmental Matter, and a statement by the consultant that the Material Environmental Matter has been remedied in compliance in all material respects with applicable Environmental Law. Each such Material Environmental Matter shall be remedied prior to the Expiration Date unless the Leased Property has been or will be purchased by Lessee in accordance with Article XV or Article XVIII. Nothing in this Article XIV shall reduce or limit Lessee's obligations elsewhere in this Lease or under the Participation Agreement.

ARTICLE XV  
TERMINATION OF LEASE

SECTION 15.1. TERMINATION UPON CERTAIN EVENTS. (a) If an Event of Loss or Significant Environmental Event occurs during the Term with respect to the Leased Property, then Lessee, upon Lessee making a reasonable judgment that such Event or Loss or Significant Environmental Event has occurred, may elect to terminate the Lease by giving written notice (a "TERMINATION NOTICE") to the Lessor, but in any event no later than one hundred twenty (120) days following the occurrence of such Event of Loss or Significant Environmental Event that, as a consequence of such Event of Loss or Significant Environmental Event, the Lease is to be terminated on the Payment Date specified in Section 15.1(b). If Lessee fails to elect to terminate the Lease as provided in this Section 15.1(a), Lessee shall be deemed to have elected to restore, rebuild or remediate the Leased Property pursuant to Section 14.1(d) or Section 14.3, as applicable and Lessee shall undertake and diligently pursue such restoration, rebuilding or remediation which in all cases shall be completed prior to the Expiration Date.

(b) Following Lessee's delivery of the Termination Notice, the Lessee shall be obligated to purchase the Lessor's interest in all, but not less than all, of the Leased Property on or prior to the next occurring Payment Date (but in no event any later than thirty (30) days from the date the Lessee delivers the applicable Termination Notice) by paying the Lessor an amount equal to the Purchase Amount.

SECTION 15.2. TERMINATION PROCEDURES. On the date of the payment by the Lessee of the Purchase Amount in accordance with Section 15.1(b) (such date, the "TERMINATION DATE"), this Lease shall terminate and, concurrent with the Lessor's receipt of such payment:

(i) the Lessor and Lessee shall comply with the provisions of Sections 21.1(i) through 21.1(iii) and Section 21.1(v); and

(ii) Lessor shall convey to the Lessee any net proceeds (that is, after deducting all reasonable costs and expenses incurred by the Lessor, Administrative Agent or any Participant(s) incident to collecting any such proceeds of Casualty or Condemnation, including, without limitation, reasonable fees and expenses for counsel) with respect to the Casualty or Condemnation giving rise to the termination of this Lease theretofore received by the Lessor or, at the request of the Lessee, to the extent actually received and if acceptable to Lessor in its sole judgment, Lessor shall apply such amounts against sums due hereunder.

ARTICLE XVI  
EVENTS OF DEFAULT

SECTION 16.1. EVENTS OF DEFAULT. The occurrence of any one or more of the following events (whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall constitute a "Lease Event of Default":

- (a) the occurrence of a Payment Default; or
- (b) the Lessee shall fail to make payment of any Supplemental Rent (other than Supplemental Rent referred to in clause (a) of this Section 16.1) due and payable within five (5) Business Days after such amounts are due and payable; or
- (c) the Lessee shall fail to maintain insurance as required by Article XIII of this Lease; or
- (d) The Lessee shall fail to observe or perform any term, covenant or condition of the Lessee under this Lease or any other Operative Document (other than those described in any other clause of this Section 16.1) and such failure shall remain uncured for a period of thirty (30) days after the earlier of (i) receipt by a Responsible Officer of Lessee of written notice thereof or (ii) knowledge by a Responsible Officer of Lessee of such event; PROVIDED, HOWEVER, that if such failure is capable of cure but (A) cannot be cured by payment of money and (B) cannot be cured by diligent efforts within such thirty (30)-day period, but such diligent efforts shall be properly commenced within such thirty (30)-day cure period and the Lessee 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 Expiration Date; or
- (e) Any representation or warranty made or deemed made by or on behalf of Lessee (or any of its officers) in connection with any Operative Document to which Lessee is a party, or any certificate delivered in connection with any Operative Document, shall prove to have been incorrect in any material respect when made or deemed made; or
- (f) Lessee shall fail to perform any term, covenant or agreement contained in Section 9.1(a) (other than failure to be in good standing solely due to a failure to pay franchise taxes), (d)(i), (e), (f), (g), (i), (j), (k), (l), (m), (p) or (q) of the Participation Agreement; or
- (g) (i) (A) Failure of Lessee or any Significant Subsidiary to pay any amount when due after the expiration of any applicable grace period under any agreement under which Indebtedness aggregating in excess of \$25,000,000 has been issued ("MATERIAL INDEBTEDNESS"); or (B) the default by Lessee or any Significant Subsidiary 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 such Material Indebtedness to become due prior to its stated maturity; or

(ii) Lessee or any Significant Subsidiary 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; or

(iii) Any ERISA Termination Event shall have occurred with respect to a Plan which could reasonably be expected to result in a Material Change, and, 30 days after notice thereof shall have been given to the Lessee by the Administrative Agent or any Participant, such ERISA Termination Event shall still exist; or

(h) Any authorization or approval or other action by any governmental authority or regulatory body required for the execution, delivery or performance of the Participation Agreement or any other Operative Document by Lessee 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 affect the enforceability of the Operative Documents against the Lessee adversely; or

(i) (A) The occurrence of an Insolvency Event; or (B) Lessee or any Significant Subsidiary shall not pay, or shall admit in writing its inability to pay, its debts generally as they become due; or

(j) Lessee shall fail to sell the Leased Property in accordance with and satisfy each of the terms, covenants, conditions and agreements set forth at Articles XX and XXI in connection with and following its exercise of the Sale Option, including each of Lessee's obligations at Sections 20.1 and 21.1; or

(k) Any Operative Document or the security interest and lien granted under this Lease (except in accordance with its terms), in whole or in part, terminates, ceases to be effective or ceases to be the legal, valid and binding enforceable obligation of Lessee on account of, or as a result of, directly or indirectly, any act or omission of Lessee, or Lessee, directly or indirectly, contests in any manner in any court the effectiveness, validity, binding nature or enforceability thereof; or the security interest and lien securing Lessee's obligations under the Operative Documents, in whole or in part, ceases to be a perfected first priority security interest and lien (subject only to Permitted Liens); or

(l) Lessee shall fail to be a Wholly-Owned Subsidiary of the Holding Company; or

(m) A Change of Control occurs and, in the case of a Change of Control described in clause (a) of the definition thereof, the Lessee shall not have exercised its Early Termination Option within 30 days thereof.

SECTION 16.2. REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter, the Lessor may, with the consent of the Required Participants, and shall, upon the request of the Required Participants, so long as such Event of Default is continuing, do one or more of the following (as modified and supplemented by the remedies set forth in the Memorandum of Lease), without limiting any other right or remedy the Lessor may have on account of such Event of Default, but subject to the rights of the Lessee to purchase the Leased Property pursuant to the terms and within the time periods as set forth in Section 18.1:

(a) By notice to the Lessee, rescind or terminate this Lease as to any or all of the Leased Property as of the date specified in such notice; however, no reletting, or taking of possession of the Leased Property (or any portion thereof) by the Lessor will be construed as an election on the Lessor's part to terminate this Lease unless a written notice of such intention is given to the Lessee, notwithstanding any reletting, or taking of possession, the Lessor may at any time thereafter elect to terminate this Lease for a continuing Event of Default and no act or thing done by the Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of the Leased Property shall be valid unless the same be made in writing and executed by the Lessor;

(b) Demand that the Lessee, and the Lessee shall upon the written demand of the Lessor, return the Leased Property promptly to the Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of the Participation Agreement and Article IX and Sections 8.2 and 14.2 hereof, and Lessee shall comply with the requirements at Section 15.2 to the extent requested by Lessor, as if the Leased Property were being returned at the end of the Term, and the Lessor shall not be liable for the reimbursement of the Lessee for any costs and expenses incurred by the Lessee in connection therewith and without prejudice to any other remedy which the Lessor may have for possession of the Leased Property, and to the extent and in the manner permitted by Applicable Laws, enter upon the Site and take immediate possession of (to the exclusion of the Lessee) the Leased Property or any part thereof and expel or remove the Lessee, by summary proceedings or otherwise, all without liability to the Lessee for or by reason of such entry or taking of possession (PROVIDED, HOWEVER, Lessor shall remain liable for actual damages caused by its gross negligence or willful misconduct), whether for the restoration of damage to property caused by such taking or otherwise and, in addition to the Lessor's other damages, the Lessee shall be responsible for all costs and expenses (which costs and expenses shall be reasonable if within the control of Lessor) incurred by the Lessor and the Participants in connection with any reletting, including, without limitation, reasonable brokers' fees and all costs of any alterations or repairs made by the Lessor;

(c) Sell all or any part of the Leased Property at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee with respect thereto (except to the extent required below if the Lessor shall elect to exercise its rights

thereunder and except that the proceeds of sale shall be accounted for as provided in Section 5.3(f) of the Participation Agreement as hereinafter set forth) in which event the Lessee's obligation to pay Basic Rent hereunder for periods commencing after the date of such sale shall be terminated;

(d) Elect not to terminate this Lease with respect to the Leased Property and continue to collect all Basic Rent, Supplemental Rent and all other amounts due the Lessor (together with all costs of collection) and enforce the Lessee's obligations under this Lease as and when the same become due, or are to be performed, and, upon any abandonment of the Leased Property by the Lessee, elect not to terminate this Lease and make the necessary repairs (and the Lessee shall pay the reasonable costs of such repairs) in order to relet the Leased Property, and relet the Leased Property or any part thereof (in place, if so elected by Lessor) for such term or terms (which may be for a term extending beyond the Term of this Lease) and at such rental or rentals and upon such other terms and conditions as the Lessor in its reasonable discretion may deem advisable; and upon each such reletting all rentals actually received by the Lessor from such reletting shall be applied to the Lessee's obligations hereunder and the other Operative Documents in such order, proportion and priority as the Lessor may elect in the Lessor's sole and absolute discretion. If such rentals received from such reletting during any period are less than the Rent with respect to the Leased Property to be paid during that period by the Lessee hereunder, the Lessee shall pay any deficiency, as calculated by the Lessor, to the Lessor on the next Payment Date;

(e) Demand, by written notice to the Lessee, that the Lessee pay to the Lessor within twenty (20) days after receipt of such notice an amount equal to (i) except in the circumstances described in clause (ii) below, the Permitted Lease Balance or (ii) in the case of a Lease Event of Default under Section 16.1(g)(i)(B) if Participants and their Affiliates either collectively or individually have the ability to control (by vote or otherwise) whether such Material Indebtedness will become due prior to its stated maturity, and in the case of an Event of Default under Section 16.1(g)(i)(B), the Sale Option Recourse Amount, and if the Permitted Lease Balance is equal to the Lease Balance, the Lessor shall convey the Leased Property to the Lessee in accordance with Article XXI. The Lessee acknowledges and agrees that upon the declaration of a Lease Event of Default, to the maximum extent permitted by Applicable Law, and subject to Lessor's obligations under the final paragraph of this Section 16.2, the Lessee waives any right to contest that the payment of the amount described in the preceding sentence constitutes the correct liquidated recourse sum due upon acceleration of this instrument;

(f) Exercise any other right or remedy that may be available to it under Applicable Laws, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any period(s), and such suits shall not in any manner prejudice the Lessor's right to collect any such damages for any subsequent period(s), or the Lessor may defer any such suit until after the expiration of the Term, in which event such suit shall be deemed not to have accrued until the expiration of the Term;

(g) Retain and apply against the Lease Balance, in accordance with Section 5.3 of the Participation Agreement, all sums which the Lessor would, absent such Event of Default, be required to pay to, or turn over to, the Lessee pursuant to the terms of this Lease;

(h) If an Event of Default shall have occurred and be continuing, the Lessor, as a matter of right and with notice to the Lessee, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Leased Property, and the Lessee hereby irrevocably consents to any such appointment. Any such receiver(s) shall have all of the usual powers and duties of receivers in like or similar cases and all of the powers and duties of the Lessor in case of entry onto the Site, and shall continue as such and exercise such powers until the date of confirmation of the sale of the Leased Property unless such receivership is sooner terminated; or

(i) Upon the occurrence of the Lease Event of Default with respect to Lessee described in Section 16.1(i), whether or not another Lease Event of Default described in one or more other clauses of Section 16.1 shall have been or thereafter is declared, this Lease shall terminate immediately without notice and Lessee shall immediately pay to Administrative Agent, on behalf of Lessor, as and for liquidated damages and without limitation on any other remedies provided for herein, an amount equal to the Permitted Lease Balance.

To the maximum extent permitted by Applicable Law, the Lessee hereby waives (x) the benefit of any appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshaling in the event of any sale of the Leased Property or any interest therein and (y) any rights now or in the future conferred by statute or otherwise which may require the Lessor to sell, lease or otherwise use the Leased Property in mitigation of the Lessor's damages or which may otherwise limit or modify any remedy of damages.

The Lessor shall be entitled to enforce payment and performance of the obligations secured hereby and to exercise all rights and powers under this instrument or under any of the other Operative Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, security agreement, pledge, lien, assignment or otherwise. Neither the acceptance of this instrument nor its enforcement, shall prejudice or in any manner affect the Lessor's right to realize upon or enforce any other security now or hereafter held by the Lessor, it being agreed that the Lessor shall be entitled to enforce this instrument and any other security now or hereafter held by the Lessor in such order and manner as the Lessor may determine in its absolute discretion. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Operative Documents to the Lessor or to which it may otherwise be entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor. Without limiting the foregoing, but subject to the limitation at Section 16.5, if applicable, each of the powers, rights and remedies as set forth or otherwise permitted pursuant

to this Article XVI are independent of the provisions of Article XIII of the Participation Agreement.

The proceeds derived from any sale of Leased Property and other amounts recovered pursuant to the foregoing remedies after an Event of Default shall be distributed pursuant to Section 5.3(f) of the Participation Agreement. The amount realized by the Lessor upon a sale of a Leased Property shall be net of Lessor's sale expenses and other expenses reasonably and customarily incurred by the Lessor in connection with the Lessor holding and owning such Leased Property until such time as the Leased Property is sold. Notwithstanding anything herein to the contrary, and except for Lessee's obligation to pay Nonconformance Amounts, there shall not be any personal recourse against the Lessee (and Lessor shall have recourse only against the Leased Property) pursuant to this Section 16.2 for any amount in excess of the Permitted Lease Balance.

SECTION 16.3. WAIVER OF CERTAIN RIGHTS. If this Lease shall be terminated pursuant to Section 16.2, the Lessee waives, to the fullest extent permitted by law, (a) any notice of legal proceedings to obtain possession; (b) any right of redemption or repossession; (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt or limiting the Lessor with respect to the election of remedies; and (d) any other rights which might otherwise limit or modify any of the Lessor's rights or remedies under this Article XVI.

SECTION 16.4. GRANT OF SECURITY INTEREST. The Lessee hereby grants, transfers and pledges a lien and a security interest to Lessor, for the benefit of the Participants, in all of its right, title and interest in the Leased Property and the other Collateral and hereby assigns to Lessor all of its right, title and interest in and to the Collateral, in each case, to secure payment and performance of its Obligations hereunder and under the other Operative Documents. This Lease shall constitute a security agreement within the meaning of the Uniform Commercial Code of the state where the Leased Property and other Collateral is located ("UCC"), and if an Event of Default has occurred and is continuing, (i) Lessor shall, in addition to all other rights available at law or equity, have all of the rights provided to a secured party under Article 9 of the UCC and (ii) Lessor shall have the power and authority, to the extent provided by law, after proper notice and lapse of such time as may be required by law, to sell the Leased Property and the other Collateral (or any portion thereof), either as a whole, or in separate lots or parcels or items and in such order as Lessor may elect all as provided for herein. The proceeds derived from the exercise of the foregoing rights shall be applied as set forth in the last paragraph of Section 16.2.

SECTION 16.5. DETERMINATIONS OF CERTAIN EVENTS OF DEFAULT. Lessor acknowledges that, in making a determination that an Event of Default has occurred under Section 16.1(d), (e), (f), (g), (h) or (j), to the extent Lessor exercises discretion in making such determination, it shall exercise such discretion in a commercially reasonable manner.

SECTION 16.6. LESSOR SALE. If Lessor has not sold the Leased Property within two (2) years after receipt of the Permitted Lease Balance or, in the case of a Lease Event of Default under Section 16.1(g)(i)(B), if the Participants and their Affiliates either collectively or individually have the ability to control (by vote or otherwise) whether such Material Indebtedness will become due prior to its stated maturity, the Sale Option Recourse Amount, including pursuant to

Section 16.2(i), Lessor will appoint a qualified independent sales agent to sell the Leased Property pursuant to the first bona fide offer received from creditworthy offeror and for an all cash purchase price at the then fair market value of the Leased Property to the extent the conditions therefor are satisfied. Any proceeds resulting from the operation of this Section 16.6 net of the costs and expenses of such sale and costs incurred to maintain the leased property will be applied in accordance with Section 5.3(f) of the Participation Agreement. Notwithstanding the foregoing in no event shall Lessor have any liability to Lessee for failure to sell the Leased Property pursuant to the foregoing criteria in this Section 16.6 unless such failure is due to the gross negligence or willful misconduct of the Lessor.

ARTICLE XVII  
LESSOR'S RIGHT TO CURE

SECTION 17.1. THE LESSOR'S RIGHT TO CURE THE LESSEE'S DEFAULTS. The Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to), upon five (5) Business Days' prior notice to the Lessee, remedy any Event of Default for the account and at the sole cost and expense of the Lessee, including the failure by the Lessee to maintain the insurance required by Article XIII, and may, to the fullest extent permitted by law, and notwithstanding any right of quiet enjoyment in favor of the Lessee, enter upon the Leased Property and the Site, for such purpose and take all such action thereon as may be reasonably necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All reasonable out-of-pocket costs and expenses so incurred (including fees and expenses of counsel), together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid by the Lessor, shall be paid by the Lessee to the Lessor on demand as Supplemental Rent.

ARTICLE XVIII  
PURCHASE PROVISIONS

SECTION 18.1. EARLY TERMINATION OPTION. Subject to the conditions contained herein, on (a) any Payment Date during the Term provided Lessee has not elected the Sale Option or (b) on any Business Day during the occurrence of an Event of Default of the types described in clause (ii) of the next sentence, Lessee may, at its option, purchase all, but not less than all, of the Leased Property (the "EARLY TERMINATION OPTION") at a price equal to the Purchase Amount. Lessee's right to purchase all of the Leased Property pursuant to this Section 18.1 shall terminate automatically and without notice upon (i) the occurrence of an Event of Default arising as a result of an Insolvency Event, or (ii) upon the occurrence of any other Event of Default, unless in the case of an Event of Default described in this clause (ii) Lessee delivers a written notice of its election to exercise this option to purchase not less than three (3) days prior to the date of the purchase and consummates the purchase within ten (10) Business Days following (x) delivery of a notice of an Event of Default by Lessee pursuant to Section 9.1(d)(i) of the Participation Agreement, or (y) Lessee's receipt of a written Purchase Acceleration Notice. "Purchase Acceleration Notice" shall mean a notice from Lessor or Administrative Agent to Lessee that an Event of Default has occurred. Lessee acknowledges that the Purchase Acceleration Notice shall apply solely to this Section 18.1 and will not affect the validity of any Event of Default or the



Lessor's remedies at Section 16.2. In order to exercise its option to purchase the Leased Property pursuant to this Section 18.1 and except as provided for in the clause (ii) of the second sentence of this Section 18.1, Lessee shall give to Lessor and the Administrators not less than thirty (30) days' prior written notice of such election to exercise, which election shall be irrevocable when made. If the Lessee exercises its option pursuant to this Section 18.1 then, upon the Lessor's receipt of all amounts due in connection therewith, the Lessor shall transfer to the Lessee all of the Lessor's right, title and interest in and to the Leased Property in accordance with the procedures set forth in Section 21.1, such transfer to be effective as of the date specified in the Purchase Notice. The Lessor agrees that it shall cooperate with the Lessee in effecting any transfer to a designee of the Lessee pursuant to this Section 18.1.

ARTICLE XIX  
END OF TERM OPTIONS

SECTION 19.1. END OF TERM OPTIONS. Before the Expiration Date, Lessee shall, by delivery of written notice to Lessor and Administrative Agent (given in accordance with clause (a) or (b) below), exercise the option provided in paragraph (a)(i) or (a)(ii) or the option provided in paragraph (b):

(a) No later than 180 days nor more than 365 days prior to the Expiration Date of the Term, Lessee shall, by delivery of written notice to Lessor and the Administrative Agent, exercise one of the following two options:

(i) Commit to renew this Lease with respect to the Leased Property for an additional Lease Renewal Term of one to four years (the "RENEWAL OPTION") on the terms and conditions set forth herein and in the other Operative Documents; PROVIDED, HOWEVER, that such Renewal Option shall be available at the end of the Base Term (or the Base Term as previously so renewed) only if the conditions to the Extension Option set forth in Section 4.7 of the Participation Agreement are satisfied; and PROVIDED, FURTHER, that the Renewal Option shall not be exercisable for a total of more than two (2) Lease Renewal Terms; or

(ii) Commit to purchase for cash for the Purchase Amount all, but not less than all, of the Leased Property on the last day of the Term (the "PURCHASE OPTION"); and if Lessee shall have elected to purchase the Leased Property, Lessor shall, upon the payment to Lessor of the Purchase Amount then due and payable by Lessee under the Operative Documents, transfer all of Lessor's right, title and interest in and to the Leased Property pursuant to Section 21.1; or

(b) No later than 270 days nor more than 365 days prior to the Expiration Date of the Term, Lessee shall, by delivery of written notice to Lessor and the Administrative Agent, commit to sell on behalf of Lessor for cash to a single purchaser not in any way affiliated with Lessee or any of its Affiliates all, but not less than all, of the Leased Property on the last day of the Term (the "SALE OPTION"). Lessee's right to sell the Leased Property pursuant to the Sale Option shall be conditioned upon and subject to the fulfillment by Lessee of each of the terms and conditions set forth in Article

XX. In addition, all subleases with respect to the Leased Property shall have been terminated prior to Lessor's receipt of Lessee's election of the Sale Option. Lessee shall not enter into any additional subleases or renew any subleases with respect to the Leased Property following Lessee's election of the Sale Option. Following Lessee's election of the Sale Option, Lessee shall not remove any Modifications or commence any voluntary Modifications under Section 10.1(a)(ii) without the consent of the Required Participants.

SECTION 19.2. ELECTION OF OPTIONS. Unless Lessee shall have (a) affirmatively elected the Sale Option within the time period provided for in Section 19.1(b) and (b) satisfied each of the requirements in Articles XX and XXI, Lessee shall be deemed to have elected the Renewal Option. To the extent that the Renewal Option is not available for any reason (including because of the Participants' refusal to consent to an Extension Option Request), unless Lessee shall have (a) affirmatively elected the Sale Option within the time period provided for in Section 19.1(b) and (b) satisfied each of the requirements in clause (ii) of Section 20.1(d), Lessee shall be deemed to have elected the Purchase Option. In addition, the Sale Option shall automatically be revoked if there exists a Default, Event of Default, Significant Environmental Event, Significant Casualty or Significant Condemnation at any time after the Sale Option is properly elected or Lessee fails to comply with each of the other terms and conditions set forth at Articles XX and XXI and Lessee shall be deemed to have elected the Purchase Option. Lessee may not elect the Sale Option if there exists on the date the election is made a Default, an Event of Default, Significant Environmental Event, Significant Casualty or Significant Condemnation. Any election by Lessee pursuant to Section 19.1 shall be irrevocable at the time made.

SECTION 19.3. RENEWAL OPTIONS. The exercise of any Renewal Option by Lessee shall be subject to satisfaction of the following conditions:

(i) on the Expiration Date then in effect no Event of Default or Default shall have occurred and be continuing, and on the date Lessee gives notice of its exercise of the Renewal Option, no Event of Default or Default shall have occurred and be continuing; and

(ii) Lessee shall not have exercised the Sale Option or the Purchase Option.

Lessee's exercise of a Renewal Option shall be deemed to be a representation by Lessee that on both the Expiration Date then in effect and the date Lessee gives notice of its exercise of the Renewal Option, no Event of Default or Default shall have occurred and be continuing.

#### ARTICLE XX SALE OPTION

SECTION 20.1. SALE OPTION PROCEDURES. The Lessee's effective exercise and consummation of the Sale Option with respect to the Leased Property shall be subject to the due and timely fulfillment of each of the following provisions as to the Leased Property as of the dates set forth below.

(a) The Lessee shall have given to the Lessor and the Administrative Agent written notice of the Lessee's exercise of the Sale Option in accordance with Section 19.1.

(b) Prior to the Expiration Date, Lessee shall furnish to Lessor, the Administrative Agent, the Participants and, if the Leased Property is to be sold on the Expiration Date, the independent purchaser hereunder a reasonably current Phase I Environmental Site Assessment of the Leased Property dated no earlier than forty-five (45) days prior to the Expiration Date and addressed to each such party. Such Phase I Environmental Site Assessment shall be prepared by an environmental consultant selected by Lessor in Lessor's reasonable discretion and shall conclude that the Leased Property is free of Environmental Violations. If the Leased Property is sold during the Extended Remarketing period pursuant to Section 20.3, such Environmental Site Assessment shall be updated to a date not later than forty-five (45) days prior to the date of such sale and shall be subject to the reevaluation of the Participants and, if applicable, the independent purchaser, on the same basis as provided for in the previous sentence. If any such Phase I Environmental Site Assessment indicates any Environmental Violations, Lessee shall take such remedial action as shall be necessary to correct the same, and Lessee shall cause to be delivered prior to the Expiration Date for the Leased Property a Phase II environmental site assessment by such environmental consultant and a written statement by such environmental consultant indicating that all such exceptions have been remedied in compliance with Applicable Laws.

(c) No Event of Default or Default shall exist on or at any time following the date of the exercise of the Sale Option.

(d) Upon surrender of the Leased Property, (i) the Leased Property shall be in the condition required by Section 9.1, (ii) the Lessee shall have paid for and completed or caused to be completed all Modifications required by Section 10.1 and all Modifications commenced prior to the Expiration Date, and Lessee shall have caused to be completed prior to the Expiration Date the repair and rebuilding of the affected portions of the Leased Property suffering a Casualty or Condemnation, (iii) there shall be no deferred maintenance in respect of the Leased Property, and (iv) Lessee shall have remediated any Environmental Violation in accordance with the terms of this Lease.

(e) The Lessee shall, as nonexclusive agent for the Lessor, use reasonable commercial efforts to obtain the highest cash purchase price for the Leased Property. The Lessee will be responsible for hiring brokers and making the Leased Property available for inspection by prospective purchasers, and all marketing of the Leased Property shall be at Lessee's expense. The Lessee shall, upon reasonable notice during normal business hours (subject to Lessee's customary security and safety measures) upon request, permit inspection of the Leased Property and any Leased Property Records by the Lessor, any Participant and any potential purchasers, and shall otherwise do all things reasonably necessary to sell and deliver possession of the Leased Property to any purchaser.

(f) The Lessee shall use reasonable commercial efforts to procure bids from one or more bona fide prospective purchasers to purchase the Leased Property. No such purchaser shall be the Lessee or any Subsidiary or Affiliate of the Lessee.

(g) The Lessee shall submit all bids to the Lessor and the Participants, and the Lessor will have the right to review the same and to submit any one or more bids. All bids shall be on an all-cash basis unless the Lessor and the Required Participants shall otherwise agree in their sole discretion. The Lessee shall deliver to the Lessor and the Participants not less than ninety (90) days prior to the Expiration Date a binding written unconditional (except as set forth below), irrevocable offer by such purchaser or purchasers offering the highest all cash bid to purchase all, but not less than all, of the Leased Property (unless otherwise agreed to by the Lessor and the Required Participants). If Lessor in the exercise of its reasonable judgment believes that the Gross Proceeds to be paid to the Lessor pursuant to clause (k) below from a proposed bid which the Lessee desires to accept is less than the lesser of (i) Fair Market Value or (ii) the Purchase Amount, then Lessor may condition its Obligation to accept any such bid and sell the Leased Property upon Lessor's receipt of an Appraisal demonstrating that such proposed bid is for an amount at least equal to the lesser of (i) Fair Market Value or (ii) the Purchase Amount of the Leased Property as established by such Appraisal. In such case then Lessor shall promptly following the receipt of such bid, engage an appraiser, reasonably satisfactory to the Required Participants and Lessee, at Lessee's expense, to determine (by appraisal methods reasonably satisfactory to the Required Participants) the Fair Market Value of the Leased Property as of the Expiration Date. A copy of such appraisal shall be delivered to each of the Participants not later than five (5) Business Days prior to the Expiration Date. The appraiser will be instructed to assume that the Leased Property is in the condition required by and has been maintained in accordance with this Lease. Any such appraisal shall be at the sole cost and expense of Lessee.

(h) In connection with any such sale of the Leased Property, the Lessee will provide to the purchaser all customary "seller's" indemnities, representations and warranties regarding title, absence of Liens (except Lessor Liens and Permitted Liens of the type described in clauses (a) (excluding Liens relating to the interest or rights of Lessee), (b), (c) or (g) of the definition of "PERMITTED LIENS") and the condition of such Leased Property. The Lessee shall have obtained, at its cost and expense, all required governmental and regulatory consents and approvals and shall have made all filings as required by Applicable Laws in order to carry out and complete the transfer of the Leased Property. As to the Lessor, any such sale shall be made on an "as is, where is, with all faults" basis without representation or warranty by the Lessor, other than the absence of Lessor Liens. Any agreement as to such sale shall be in form and substance reasonably satisfactory to the Lessor.

(i) The Lessee shall pay or cause to be paid directly, and not from the sale proceeds, any prorations, credits, costs and expenses of or arising from the sale of the Leased Property or Taxes imposed on the sale of the Leased Property, whether incurred by the Lessor or the Lessee, including the cost of all title insurance, surveys, environmental audits, appraisals, transfer taxes, the Lessor's reasonable attorneys' fees, the Lessee's attorneys' fees, commissions, escrow fees, recording fees, and all applicable documentary and other transfer and document taxes.

(j) Whether or not a sale of the Leased Property is completed on the Expiration Date, Lessee shall pay to the Lessor on or prior to the Expiration Date (or in the case of Supplemental Rent, to the Person entitled thereto) an amount equal to (i) the Sale Option Recourse Amount plus (ii) all accrued and unpaid Rent (including Supplemental Rent, if any) and all other amounts

hereunder which have accrued or will accrue prior to or as of the Expiration Date, in the type of funds specified in Section 3.4 hereof.

(k) If a sale of the Leased Property is consummated on the Expiration Date, Lessee shall pay directly to Lessor the gross proceeds (the "GROSS PROCEEDS") of such sale to be applied pursuant to Section 5.3(c)(iii) of the Participation Agreement.

(l) [Intentionally Deleted].

(m) The Lessee shall, to the extent permitted by Applicable Laws, assign, and shall cooperate with all reasonable requests of the Lessor or the purchaser for obtaining any and all licenses, permits, approvals and consents of any Governmental Authorities or other Persons that are or will be required to be obtained by the Lessor or such purchaser in connection with its use, operation, control or maintenance of the Leased Property in compliance with Applicable Laws.

If one or more of the foregoing provisions of this Section 20.1 shall not be fulfilled as of the applicable date set forth in any of clauses (a) through (m) above including Lessee's obligation at Section 20.1(g) to accept a bid for not less than the Fair Market Value of the Leased Property, then the Lessor shall declare by written notice to the Lessee the Sale Option to be null and void (whether or not it has been theretofore exercised by the Lessee), in which event Lessee's obligations at Section 19.2 shall be applicable.

Except as expressly set forth herein, the Lessee shall have no right, power or authority to bind the Lessor in connection with any proposed sale of the Leased Property.

SECTION 20.2. CERTAIN OBLIGATIONS CONTINUE. During the period following Lessee's exercise of the Sale Option and until and including the Expiration Date, the obligation of the Lessee to pay Rent with respect to the Leased Property (including the installment of Rent due on the Expiration Date) shall continue undiminished. The Lessor shall have the right, but shall be under no duty, to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take action in connection with any such sale, other than as expressly provided in this Article XX.

SECTION 20.3. FAILURE TO SELL LEASED PROPERTY. If Lessee shall exercise the Sale Option and shall fail to sell the Leased Property on the Expiration Date in accordance with and subject to the provisions of Section 20.1, then Lessee and Lessor hereby agree as follows:

(a) Lessee shall continue to use reasonable commercial efforts as non-exclusive agent for Lessor to sell the Leased Property on behalf of Lessor in accordance with this Article XX for the period (the "EXTENDED REMARKETING PERIOD") commencing on the Lease Expiration Date and ending on the earlier of (i) the sale of the Leased Property in accordance with the provisions of this Article XX or such earlier date as Lessor has received payment in full of the Lease Balance and all accrued and unpaid Rent and (ii) the delivery of a written notice from Lessor to Lessee at any time terminating the Extended Remarketing Period, which notice shall indicate that such termination is being made pursuant to this Section 20.3(a)(ii) and the date such termination shall be effective,

which date shall be the Expiration Date if such notice is given prior to the Expiration Date. Without limiting the foregoing, each of Subsections at Section 20.1 (excluding subsection (j) thereof) shall be applicable to the Extended Remarketing Period and any sale during such period. Lessor's appointment of Lessee as Lessor's nonexclusive agent to use its reasonable commercial efforts to obtain the highest all-cash price for the purchase of the Leased Property shall not restrict Lessor's right to market or lease the Leased Property, to retain one or more sales agents or brokers at Lessee's sole cost and expense, provided that an Event of Default has not occurred and is continuing, subject to Lessee's reasonable approval not to be unreasonably withheld or the right of any Participant to submit or cause to be submitted bids for the Leased Property in the manner contemplated by Section 20.1.

(b) On the Expiration Date, Lessee shall return possession of the Leased Property to Lessor in the condition required by this Lease (including each of the requirements and conditions set forth at Section 20.1(b) and Section 20.1(d)). Thereafter, this Lease shall terminate except as provided herein, Lessee shall have no further obligation to pay Basic Rent. Following the Expiration Date, Lessor shall be free to sell or lease the Leased Property to any party at such reasonable times and for such amounts as Lessor deems commercially reasonable and appropriate in order to maximize Lessor's opportunity to recover the Lease Balance. Following the Expiration Date, Lessor shall have the right to enter into leases for the Leased Property at fair market rentals and otherwise on commercially reasonable terms, and the net operating cash flow therefrom shall be payable to Lessor in reduction of the Lease Balance.

(c) Lessor reserves all rights under this Lease and the other Operative Documents arising out of Lessee's breach of any provisions of this Lease (including this Article XX), occurring prior to or on the Expiration Date, including the right to sue Lessee for damages.

(d) To the greatest extent permitted by Applicable Laws and subject to Section 20.3(e) below, Lessee hereby unconditionally and irrevocably waives, and releases Lessor from, any right to require Lessor during or following the Extended Remarketing Period to sell the Leased Property in a timely manner or for any minimum purchase price or on any particular terms and conditions, Lessee hereby agreeing that if Lessee shall elect the Sale Option, its ability to sell the Leased Property on or prior to the Expiration Date and to cause any Person to submit a bid to Lessor pursuant to Section 20.1 shall constitute full and complete protection of Lessee's interest hereunder.

(e) In addition, if Lessor has not sold the Leased Property within two (2) years after its termination of the Extended Remarketing Period, Lessor shall appoint a qualified independent sales agent to sell the Leased Property pursuant to the first bona fide offer received by a creditworthy offeror for an all cash purchase price at the then Fair Market Value of the Leased Property to the extent the conditions therefor are satisfied. Gross Proceeds arising from the sale of the Leased Property shall be applied in accordance with Section 5.3 of the Participation Agreement net of any prorations, credits, costs and expenses of or arising from the sale of the Leased Property or Taxes imposed on the sale

of the Leased Property, whether incurred by the Lessor or the Lessee, including the cost of all title insurance, surveys, environmental audits, appraisals, transfer taxes, the Lessor's reasonable attorneys' fees, the Lessee's attorneys' fees, commissions, escrow fees, recording fees, and all applicable documentary and other transfer and document taxes. To determine whether an offer is for the Fair Market Value of the Leased Property, Lessor may condition its obligation to sell on its receipt of an appraisal in accordance with Section 20.1(m). Any determination as to the bona fide nature of an offer or creditworthiness of the offeror shall be made in the reasonable judgment of Lessor and Administrative Agent.

## ARTICLE XXI

### PROCEDURES RELATING TO PURCHASE OR SALE OPTION

SECTION 21.1. PROVISIONS RELATING TO CONVEYANCE OF THE LEASED PROPERTY UPON PURCHASE BY THE LESSEE, SALES OR CERTAIN OTHER EVENTS. In connection with any termination of this Lease pursuant to the terms of Article XV, any purchase of the Leased Property in accordance with Article XVIII, in connection with the Lessee's obligations under Section 16.2(e), any other conveyance or purchase of the Leased Property made pursuant to the terms of this Lease or the Project Supervisory Agreement, then, upon the date on which this Lease is to terminate with respect to the Leased Property and upon tender by the Lessee of the amounts set forth in Article XV, Sections 16.2(e), 18.1, 18.2 or Article VII of the Project Supervisory Agreement, as applicable:

(i) the Lessor shall execute and deliver to the Lessee (or to the Lessee's designee or other purchaser of the Leased Property) at the Lessee's cost and expense a deed bill of sale and deed with respect to the Leased Property, in each case in recordable form and otherwise in conformity with local custom, in respect of the Lessor's interest in the Leased Property without representation and warranty except as to the absence of any Lessor Liens attributable to the Lessor;

(ii) the Leased Property shall be conveyed to the Lessee "as is, where is" and in its then present physical condition;

(iii) the Lessor will execute and deliver to Lessee or its designee or other purchaser an assignment or assignments, in form reasonably requested by Lessee or other purchaser of the Leased Property, without warranty of any kind except as to the absence of Lessor Liens, of Lessor's rights, if any, under the Equipment Contracts, and the Project Agreements, including any licenses granted under the Project Agreements;

(iv) the Lessor shall execute and deliver to Lessee a statement of termination of this Lease and/or the Project Supervisory Agreement and shall use its best efforts to cause the Administrative Agent to execute and deliver releases of any Liens created by the Operative Documents attributable to the Administrative Agent, and termination statements for any financing statements which are then of record naming the Administrative Agent as the secured party; and

(v) If the Lessee properly exercises the Sale Option, then the Lessee shall, upon a sale thereunder, and at its own cost, transfer or cause to be transferred possession of the Leased Property to the independent purchaser(s) thereof, in each case by surrendering the same into the possession of the Lessor or such purchaser, as the case may be, free and clear of all Liens other than Permitted Liens of the type described in clauses (a) (excluding Liens relating to the rights and interests of Lessee), (b), (c) or (g) of the definition of "Permitted Liens", in good condition (as modified by Modifications permitted by this Lease), ordinary wear and tear excepted, and in compliance in all material respects with Applicable Laws and the provisions of this Lease, and the Lessee shall execute and deliver, with respect to Lessee's interest in the Leased Property, to the purchaser at the Lessee's cost and expense a bill of sale and deed with respect to the Leased Property, in each case in recordable form and otherwise in conformity with local custom, warranting that such Leased Property is free and clear of all Liens (other than Permitted Liens of the type described in clauses (a) (relating to the rights and interests of Lessee), (b), (c) or (g) of the definition of "Permitted Liens"), together with an assignment, without warranty of any kind, of Lessee's rights, if any, under the Equipment Contracts and the Project Agreements; the Lessee shall execute and deliver to the purchaser and the purchaser's title insurance company an affidavit as to the absence of any Liens (other than Permitted Liens), and such other affidavits and certificates reasonably requested by any title insurance company insuring title to the Leased Property, as well as a FIRPTA affidavit, and an instrument in recordable form declaring this Lease to be terminated on the date of closing of the sale of the Leased Property; the Lessor shall execute and deliver to purchaser an assignment of Lessor's interest in the Ground Lease, without recourse, representation or warranty. The Lessee shall, on and within a reasonable time before and up to one year after the Expiration Date, cooperate reasonably with the Lessor and the purchaser of the Leased Property in order to facilitate the purchase and use by such purchaser of the Leased Property, which cooperation shall include the following, all of which the Lessee shall do on or before the Expiration Date or as soon thereafter as is reasonably practicable: providing all books and records regarding the maintenance, use and ownership of the Leased Property and all know-how, data and technical information relating thereto to the extent such information would typically be provided to a purchaser of similar property, providing a current copy of the Plans and Specifications, granting or assigning, to the extent permitted by Applicable Laws, all licenses necessary for the operation and maintenance of the Leased Property, and cooperating reasonably in seeking and obtaining all necessary Governmental Action. The obligations of the Lessee under this paragraph shall survive the expiration or termination of this Lease.

(vi) As a condition to any such transfer of the Leased Property and Lessor's rights, if any, under the Equipment Contracts, the Project Agreements and the Ground Lease to Lessee or any third party transferee, and as a further condition to Lessee's rights under Article XX, Lessee shall, and shall cause any such third party transferee to, provide any documentation, assurances and assumptions required under and otherwise comply with the terms and conditions of the Equipment Contracts, the Project Agreements and the Ground Lease, and otherwise comply with the requirements under the Equipment Contracts, the Project Agreements and the Ground Lease for any transfer of the Leased



Property and Lessor's rights under the Equipment Contract, any Project Agreement and the Ground Lease.

ARTICLE XXII  
ACCEPTANCE OF SURRENDER

SECTION 22.1. ACCEPTANCE OF SURRENDER. No surrender to the Lessor of this Lease or of the Leased Property or of any part of any thereof or of any interest therein shall be valid or effective unless agreed to and accepted in writing by the Lessor and, prior to the payment or performance of all obligations under the Loan Agreement and termination of the Commitments, the Lenders, and no act by the Lessor or the Lenders or any representative or agent of the Lessor or the Lenders, other than a written acceptance, shall constitute an acceptance of any such surrender.

ARTICLE XXIII  
NO MERGER OF TITLE

SECTION 23.1. NO MERGER OF TITLE. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate, (b) title to the Leased Property, except as may expressly be stated in a written instrument duly executed and delivered by the appropriate Person or (c) a beneficial interest in the Lessor.

ARTICLE XXIV  
INTENT OF THE PARTIES

SECTION 24.1. NATURE OF TRANSACTION. It is the intention of the parties that:

(a) the Overall Transaction constitutes an operating lease from Lessor to Lessee for purposes of Lessee's financial reporting, including, without limitation, under Financial Accounting Standards Board Statement No. 13;

(b) for purposes of federal and all state and local income and transfer taxes, bankruptcy, insolvency, conservatorships and receiverships (including the substantive law upon which bankruptcy, conservatorship and insolvency and receivership proceedings are based) purposes

(i) the Overall Transaction (including the transactions and activities prior to the Base Term Commencement Date referred to or contemplated in the Project Supervisory Agreement) constitutes a financing by the Participants to Lessee and preserves beneficial ownership in the Leased Property in Lessee, Lessee will be entitled to all tax benefits ordinarily available to owners of property similar to the Leased Property for tax purposes and the obligations of Lessee to pay Basic Rent shall be treated as payments of interest to the

Participants, and the payment by Lessee of any amounts in respect of the Lease Balance shall be treated as payments of principal to the Participants;

(ii) this Lease provides for a security interest or a Lien, as the case may be, in the Lessee's interest in the Leased Property and the other Collateral, in favor of the Lessor, and for the benefit of the Participants, to secure Lessee's payment and performance of the Obligations; and

(iii) the Security Instruments create Liens on and security interests in the Collateral in favor of the Administrative Agent for the benefit of all of the Participants to secure Lessor's payment and performance of its obligations under the Operative Documents.

Nevertheless, Lessee acknowledges and agrees that none of Lessor, the Administrative Agent, Arranger or any Participant has made any representations or warranties to it concerning the tax, accounting or legal characteristics of the Operative Documents or any aspect of the Overall Transaction and that Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents and the Overall Transaction as it deems appropriate.

(c) Specifically, but without limiting the generality of subsection (a) of this Section 24.1, the Lessor and the Lessee intend and agree that for the purpose of securing the Lessee's obligations for the repayment of the Obligations, (i) the Lease shall also be deemed to be a security agreement and financing statement within the meaning of Article 9 of the Uniform Commercial Code; (ii) the conveyance provided for hereby shall be deemed to be a grant by the Lessee to the Lessor, for the benefit of the Participants, of a Lien (including the Deed of Trust) on and security interest in all of the Lessee's present and future right, title and interest in and to the Leased Property, including but not limited to the Lessee's leasehold estate therein and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, investments, securities or other property, whether in the form of cash, investments, securities or other property to secure such loans, effective on the date hereof, to have and to hold such interests in the Leased Property and the other Collateral unto the Lessor, for the benefit of the Participants; (iii) to the extent permitted by Applicable Law, the possession by the Lessor of notes and such other items of property as constitute instruments, money, negotiable documents or chattel paper shall be deemed to be "possession by the secured party" for purposes of perfecting the security interest pursuant to Section 9-305 of the Uniform Commercial Code; and (iv) to the extent permitted by Applicable Law, notifications to Persons holding such property, and acknowledgments, receipts or confirmations from financial intermediaries, bankers or agents (as applicable) of the Lessee shall be deemed to have been given for the purpose of perfecting such security interest under Applicable Laws. The Lessor and the Lessee shall, to the extent consistent with the Lease, take such actions and execute, deliver, file and record such other documents, financing statements, mortgages and deeds of trust as may be necessary to ensure that, if the Lease were deemed to create a security interest in the Leased Property and the other Collateral in accordance with this Section, such security interest would be deemed to be a perfected security interest in the Leased

Property with priority over all Liens, other than Permitted Liens, under Applicable Laws and will be maintained as such throughout the Term.

SECTION 24.2. LESSEE GRANT OF MORTGAGE AND SECURITY INTEREST.

(a) For the purposes of the creation and enforcement of this Lease as a Mortgage and security agreement, Lessee hereby grants, conveys, assigns, mortgages and transfers lien and security interest in its rights and interests in the Leased Property and the other Collateral in favor of the Lessor, and for the benefit of the Participants, and Lessee hereby irrevocably grants, bargains, sells, alienates, remises, releases, confirms, conveys, mortgages and warrants Lessee's interest in and to the Leased Property and the other Collateral to Lessor and for the benefit of the Participants, With (to the extent permitted by law) Power of Sale, to have and to hold to secure all Obligations.

(b) In the event this Lease is deemed a security agreement and a fixture filing, Lessee is the debtor and Lessor is the secured party. The mailing addresses of the debtor (Lessee herein) and of the secured party (Lessor herein) from which information concerning security interests pursuant to this Lease may be obtained are as set forth on the first page of this Lease. A carbon, photographic or other reproduction of this Lease or of any financing statement related to this Lease shall be sufficient as a financing statement for any of the purposes referenced in this Lease.

(c) Upon the occurrence of a Lease Event of Default under the Lease, Lessor shall have the power and authority, to the extent provided by law, after proper notice and lapse of such time as may be required by law, to foreclose and/or sell such interest in the Leased Property and the Other Collateral at the time and place of sale fixed by Lessor in such notice of sale, either as a whole, or in separate lots or parcels or items and in such order as Lessor may elect, at auction to the highest bidder for cash in lawful money of the United States payable at the time of sale.

(d) Lessor may bid and become the purchaser of all or any part of the Leased Property and the Other Collateral at any such sale, and the amount of Lessor's successful bid may be credited against the Obligations.

(e) Accordingly, it is acknowledged that (to the extent permitted by law) a power of sale has been granted in this instrument; a power of sale may allow lessor to take such interest in the leased property and the Other Collateral and sell it, either as a whole or in separate lots or parcels, without going to court in a foreclosure action upon default by the lessee under this instrument.

(f) Upon the occurrence and during the continuance of any Event of Default under the Lease, Lessor, in lieu of or in addition to exercising any power of sale hereinabove, may proceed by a suit or suits in equity or at law, whether for a foreclosure hereunder, or for the sale of such interest in the Leased Property, for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for the appointment of a receiver pending any foreclosure hereunder or the sale of such interest in the Leased Property, or for the enforcement of any other appropriate legal or equitable remedy.

ARTICLE XXV  
MISCELLANEOUS

SECTION 25.1. SURVIVAL; SEVERABILITY; ETC. Anything contained in this Lease to the contrary notwithstanding, all claims against and liabilities of the Lessee or the Lessor arising from events commencing prior to the expiration or earlier termination of this Lease shall survive such expiration or earlier termination. To the extent permitted by Applicable Law, if any term or provision of this Lease or any application thereof shall be declared invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any right or option of the Lessee provided in this Lease, including any right or option described in Articles XIV, XV, XVIII, XIX or XX, would, in the absence of the limitation imposed by this sentence, be invalid or unenforceable as being in violation of the rule against perpetuities or any other rule of law relating to the vesting of an interest in or the suspension of the power of alienation of property, then such right or option shall be exercisable only during the period which shall end twenty-one (21) years after the date of death of the last survivor of the descendants of Franklin D. Roosevelt, the former President of the United States, Henry Ford, the deceased automobile manufacturer, and John D. Rockefeller, the founder of the Standard Oil Company, known to be alive on the date of the execution, acknowledgment and delivery of this Lease.

SECTION 25.2. AMENDMENTS AND MODIFICATIONS. Subject to the requirements, restrictions and conditions set forth in the Participation Agreement, neither this Lease nor any provision hereof may be amended, waived, discharged or terminated except by an instrument in writing, in recordable form, signed by the Lessor and the Lessee.

SECTION 25.3. NO WAIVER. No failure by the Lessor or the Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy upon a default hereunder, and no acceptance of full or partial payment of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. To the fullest extent permitted by law, no waiver of any default shall affect or alter this Lease, and this Lease shall continue in full force and effect with respect to any other then existing or subsequent default.

SECTION 25.4. NOTICES. All notices, demands, requests, consents, approvals and other communications hereunder shall be in writing and directed to the address described in, and deemed received in accordance with the provisions of, Section 15.3 of the Participation Agreement.

SECTION 25.5. SUCCESSORS AND ASSIGNS. All the terms and provisions of this Lease shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

SECTION 25.6. HEADINGS AND TABLE OF CONTENTS. The headings and table of contents in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

SECTION 25.7. COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

SECTION 25.8. GOVERNING LAW. This Lease shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to Conflicts of Law principles (other than Title 14 of Article 5 of the New York General Obligations Law), except as to matters relating to the creation of the leasehold estates hereunder and the exercise of rights and remedies with respect to the Leased Property, which shall be governed by and construed in accordance with the law of the state in which the Leased Property is located. Without limiting the foregoing, in the event that this lease is deemed to constitute a financing, which is the intention of the parties for this purpose, the laws of the State of New York, without regard to conflicts of Laws principles (other than Title 14 of Article 5 of the New York General Obligations Law), shall govern the creation, terms and provisions of the indebtedness evidenced hereby and the creating of the lien granted hereunder, but perfection and enforcement of said lien shall be governed by and construed in accordance with the law of the state in which the leased property is located.

SECTION 25.9. ORIGINAL LEASE. The single executed original of this Lease marked "This Counterpart Is the Original Executed Counterpart" on the signature page thereof and containing the receipt thereof of Administrative Agent, on or following the signature page thereof shall be the Original Executed Counterpart of this Lease (the "ORIGINAL EXECUTED COUNTERPART"). To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code, no security interest in this Lease may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 25.10. LIMITATIONS ON RECOURSE. The parties hereto agree that, except as specifically set forth in the Lease or in any other Operative Document, Wells Fargo Bank Northwest, National Association shall have no personal liability whatsoever to the Lessee or its respective successors and assigns for any claim based on or in respect of this Lease or any of the other Operative Documents or arising in any way from the Overall Transaction; PROVIDED, HOWEVER, that Wells Fargo Bank Northwest, National Association shall be liable in its individual capacity (a) for its own willful misconduct or gross negligence (or negligence in the handling of funds), (b) for any Tax based on, with respect to or measured by any income, fees, commission, compensation or other amounts received by it as compensation for services (including for acting as the Lessor) or otherwise under, or as contemplated by, the Operative Documents, (c) Lessor Liens on the Leased Property which are attributable to it, (d) for its representations and warranties made in its individual capacity in the Participation Agreement or in any certificate or documents delivered pursuant thereto, (e) for its failure to perform any of its covenants and agreements set forth in the Participation Agreement or any other Operative Document, and (f) as otherwise expressly provided in the Operative Documents.

SECTION 25.11. TRANSFER OF LEASED PROPERTY. (i) Whenever pursuant to any provision of this Lease Lessor is required to transfer the Leased Property to Lessee or to an independent third party, such transfer shall be made at Lessee's expense by the transfer by a deed without

covenants or warranties of title, except for matters arising by, through or under Lessor, of all of Lessor's interest in and to the Leased Property on an "as is, where is, with all faults" basis but free and clear of all Lessor Liens and otherwise without recourse, representation or warranty of any kind, and together with the due assumption by Lessee (or such third party) of, and due release of Lessor from, all obligations relating to the Leased Property or any of the Operative Documents. In connection with any transfer to an independent third party, Lessee shall execute and deliver such customary and reasonable documents, certificates and estoppels as may reasonably be required to facilitate the transfer of the Leased Property. Any provision in this Lease or any other Operative Document to the contrary notwithstanding, Lessor shall not be obligated to make any such transfer until Lessor and the Participants have received all Rent and other amounts due and owing hereunder and under the other Operative Documents including any Break Costs. At or subsequent to the transfer or return of the Leased Property, Lessee will provide Lessor with such lien and title searches as Lessor may reasonably request to demonstrate to Lessor's satisfaction that the Leased Property is subject to no Liens for which Lessor would be liable under any warranties of title.

(ii) Lessee may assign to another Person its right, upon a purchase by Lessee, to take title to the Leased Property pursuant to Section 20.1(b); PROVIDED, that (i) Lessee shall exercise any option, (ii) such assignee shall be bound by the provisions of Section 20.1(b), (iii) Lessee shall have represented by an instrument in writing and delivered to Lessor that all necessary Governmental Actions with respect to such transfer, including the purchase of the Leased Property by any other Person as contemplated herein, have been obtained or made, as applicable, and (iv) no such assignment shall release Lessee from its obligations under the Operative Documents, and Lessee shall remain personally liable to Lessor for the payment of all amounts due under any such Section and this Section 25.11.

SECTION 25.12. EFFECTIVE DATE. The parties hereto agree that, for purposes of granting the lien hereunder, this Lease shall be effective on the Second Document Closing Date.

[END OF PAGE]  
[SIGNATURE PAGES FOLLOW]

In Witness Whereof, the parties have caused this Lease be  
duly executed and delivered as of the date first above written.  
Signature

Kansas City Power & Light Company, as Lessee

By:/S/ANDREA F. BIELSKER

Name: Andrea F. Bielsker

Title: Vice-President - Finance  
Chief Financial Officer and  
Treasurer

Wholly-Owned Subsidiaries  
of  
Great Plains Energy Incorporated

Company Name -----	State of Incorporation -----
Kansas City Power & Light Company	Missouri
KLT Inc.	Missouri
Great Plains Power Incorporated	Missouri



CONSENT OF COUNSEL

As Senior Vice President-Corporate Services and Secretary of Great Plains Energy Incorporated, I have reviewed the statements as to matters of law and legal conclusions in the Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and consent to the incorporation by reference of such statements in the Company's previously-filed Form S-3 Registration Statement (Registration No. 33-51799) and Form S-8 Registration Statements (Registration No. 33-45618 and Registration No. 333-32636).

/s/Jeanie Sell Latz  
Jeanie Sell Latz

Kansas City, Missouri  
February 26, 2002

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 33-51799) and Form S-8 (File Nos. 33-45618 and 333-32636) of Great Plains Energy Incorporated of our report dated February 5, 2002 relating to the financial statements Great Plains Energy Incorporated and Subsidiaries, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri  
February 26, 2002

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-51799 on Form S-3 and Registration Statement No. 333-32636 and No. 33-45618 on Form S-8 of Great Plains Energy, Inc. and Registration Statement No. 333-18139 on Form S-3 of Kansas City Power & Light Company of our report dated January 30, 2002 (relating to the financial statements of DTI Holdings, Inc. and Subsidiaries not presented separately herein), appearing in this Annual Report on Form 10-K of Great Plains Energy for the year ended December 31, 2001.

/s/ DELOITTE & TOUCHE LLP  
St. Louis, Missouri

February 22, 2002

CONSENT OF COUNSEL

As Secretary of Kansas City Power & Light Company, I have reviewed the statements as to matters of law and legal conclusions in the Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and consent to the incorporation by reference of such statements in the Company's previously-filed Form S-3 Registration Statement (Registration No. 333-18139).

/s/Jeanie Sell Latz  
Jeanie Sell Latz

Kansas City, Missouri  
February 26, 2002

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-18139) of Kansas City Power & Light Company (a wholly-owned subsidiary of Great Plains Energy Incorporated) of our report dated February 5, 2002 relating to the financial statements of Kansas City Power & Light Company and Subsidiaries, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri  
February 26, 2002

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/David L. Bodde

STATE OF MISSOURI )  
 ) ss  
COUNTY OF JACKSON )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared David L. Bodde, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Mark A. Ernst

STATE OF MISSOURI )  
 ) ss  
COUNTY OF JACKSON )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Mark A. Ernst, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand  
and affixed my official seal the day and year last  
above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/William K. Hall

STATE OF MISSOURI    )  
                          )    ss  
COUNTY OF JACKSON   )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared William K. Hall, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Luis A. Jimenez

STATE OF MISSOURI    )  
                          )    ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Luis A. Jimenez, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/William C. Nelson

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared William C. Nelson, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, her true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Linda H. Talbott

STATE OF MISSOURI     )  
                                  )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Linda H. Talbott, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that she executed the same as her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:  
April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Robert H. West

STATE OF MISSOURI     )  
                                  )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Robert H. West, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004



IN TESTIMONY WHEREOF, I have hereunto set my hand  
and affixed my official seal the day and year last  
above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/William K. Hall

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared William K. Hall, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Luis A. Jimenez

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Luis A. Jimenez, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/William C. Nelson

STATE OF MISSOURI     )  
                                  )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared William C. Nelson, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, her true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Linda H. Talbott

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Linda H. Talbott, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that she executed the same as her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:  
April 8, 2004

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Bernard J. Beaudoin or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 5th day of February 2002.

/s/Robert H. West

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 5th day of February 2002, before me the undersigned, a Notary Public, personally appeared Robert H. West, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2004