

Form 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 2000

OR

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

For the transition period from ____ to ____

Commission file number 1-707

KANSAS CITY POWER & LIGHT COMPANY
(Exact name of registrant as specified in its charter)

Missouri	44-0308720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1201 Walnut, Kansas City, Missouri	64106-2124
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (816) 556-2200

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 ()

The number of shares outstanding of the registrant's Common stock at August 3, 2000, was 61,846,020 shares.

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Balance Sheets

	June 30 2000	December 31 1999
(thousands)		
ASSETS		
Utility Plant, at Original Cost		
Electric	\$3,687,613	\$3,628,120
Less-accumulated depreciation	1,609,010	1,516,255
Net utility plant in service	2,078,603	2,111,865
Construction work in progress	300,525	158,616
Nuclear fuel, net of amortization of \$116,717 and \$108,077	36,961	28,414
Total	2,416,089	2,298,895
Regulatory Asset - Recoverable Taxes	106,000	106,000
Investments and Nonutility Property	384,815	376,704
Current Assets		
Cash and cash equivalents	11,196	13,073
Receivables	95,080	71,548
Fuel inventories, at average cost	23,499	22,589
Materials and supplies, at average cost	46,808	46,289
Deferred income taxes	4,815	2,751
Other	16,505	6,086
Total	197,903	162,336
Deferred Charges		
Regulatory assets	28,271	31,908
Prepaid pension costs	58,739	0
Other deferred charges	27,974	14,299
Total	114,984	46,207
Total	\$3,219,791	\$2,990,142

CAPITALIZATION AND LIABILITIES

Capitalization (see statements)	\$2,017,197	\$1,739,590
Current Liabilities		
Notes payable to banks	0	24,667
Commercial paper	159,360	214,032
Current maturities of long-term debt	73,957	128,858
Accounts payable	113,992	68,309
Accrued taxes	18,933	972
Accrued interest	11,307	15,418
Accrued payroll and vacations	20,744	20,102
Accrued refueling outage costs	12,348	7,056
Other	16,034	13,569
Total	426,675	492,983
Deferred Credits and Other Liabilities		
Deferred income taxes	611,373	592,227
Deferred investment tax credits	52,098	54,333
Other	112,448	111,009
Total	775,919	757,569
Commitments and Contingencies (Note 6)		
Total	\$3,219,791	\$2,990,142

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

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Capitalization

	June 30 2000	December 31 1999
	(thousands)	
Common Stock Equity		
Common stock-150,000,000 shares authorized without par value 61,908,726 shares issued, stated value	\$449,697	\$449,697
Retained earnings (see statements)	424,163	418,952
Accumulated other comprehensive loss		
Unrealized loss on securities available for sale	0	(2,337)
Capital stock premium and expense	(1,668)	(1,668)
Total	872,192	864,644
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	62
Total	39,062	39,062
Company-obligated Mandatorily Redeemable Preferred Securities of a trust holding solely KCPL Subordinated Debentures		
	150,000	150,000
Long-term Debt (excluding current maturities)		
General Mortgage Bonds		
Medium-Term Notes due 2001-2008, 7.10% and 6.99% weighted-average rate	236,000	286,000
5.02%* Environmental Improvement Revenue Refunding Bonds due 2012-23	158,768	158,768
Unsecured Medium-Term Notes		
6.91%* due 2002	200,000	0
Environmental Improvement Revenue Refunding Bonds		
5.08%* Series A & B due 2015	106,500	106,500
4.50% Series C due 2017	50,000	50,000
4.35% Series D due 2017	40,000	40,000
Subsidiary Obligations		
Affordable Housing Notes due 2001-08, 8.28% and 8.35% weighted-average rate	31,675	44,616
KLT Gas Bank Credit Agreement 9.43%* due 2003	51,000	0
KLT Inc Bank Credit Agreement 7.85%* due 2003	82,000	0
Total	955,943	685,884
Total	\$2,017,197	\$1,739,590

* Variable rate securities, weighted-average rate as of June 30, 2000.
The accompanying Notes to Consolidated Financial Statements are an integral
part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

Three Months Ended June 30	2000	1999
	(thousands)	
Electric Operating Revenues	\$228,026	\$216,947
Operating Expenses		
Operation		
Fuel	35,332	24,373
Purchased power	20,825	18,656
Other	48,598	49,139
Maintenance	18,456	13,449
Depreciation	30,883	29,838
Income taxes	14,696	18,438
General taxes	21,999	22,091
Total	190,789	175,984
Electric Operating Income	37,237	40,963
Other Income and (Deductions)		
Allowance for equity funds used during construction	1,914	623
Miscellaneous income and (deductions) - net	(2,706)	(11,758)
Income taxes	9,311	12,431
Total	8,519	1,296
Income Before Interest Charges	45,756	42,259
Interest Charges		
Long-term debt	16,292	12,924
Short-term debt	1,557	1,069
Mandatorily redeemable Preferred Securities	3,112	3,112
Miscellaneous	676	691
Allowance for borrowed funds used during construction	(2,621)	(675)
Total	19,016	17,121
Income before cumulative effect of changes in accounting principles	26,740	25,138
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 1)	0	0
Net Income	26,740	25,138
Preferred Stock		
Dividend Requirements	412	944
Earnings Available for Common Stock	\$26,328	\$24,194
Average Number of Common Shares Outstanding	61,864	61,898
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	\$0.43	\$0.39
Cumulative effect to January 1, 2000, of changes in accounting principles	0	0
Basic and Diluted Earnings per Common Share	\$0.43	\$0.39
Cash Dividends per Common Share	\$0.415	\$0.415

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

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

Year to Date June 30	2000	1999
	(thousands)	
Electric Operating Revenues	\$418,359	\$407,681
Operating Expenses		
Operation		
Fuel	65,185	55,411
Purchased power	35,623	29,314
Other	99,184	94,221
Maintenance	38,517	30,790
Depreciation	60,166	59,497
Income taxes	19,259	27,648
General taxes	43,213	43,902
Total	361,147	340,783
Electric Operating Income	57,212	66,898
Other Income and (Deductions)		
Allowance for equity funds used during construction	1,950	1,686
Miscellaneous income and (deductions) - net	(18,862)	(22,298)
Income taxes	23,383	24,674
Total	6,471	4,062
Income Before Interest Charges	63,683	70,960
Interest Charges		
Long-term debt	28,739	26,255
Short-term debt	5,224	1,138
Mandatorily redeemable Preferred Securities	6,225	6,225
Miscellaneous	1,300	1,728
Allowance for borrowed funds used during construction	(5,120)	(1,407)
Total	36,368	33,939
Income before cumulative effect of changes in accounting principles	27,315	37,021
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 1)	30,073	0
Net Income	57,388	37,021
Preferred Stock Dividend Requirements	824	1,891
Earnings Available for Common Stock	\$56,564	\$35,130
Average Number of Common Shares Outstanding	61,881	61,898
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	\$0.42	\$0.57
Cumulative effect to January 1, 2000, of changes in accounting principles	0.49	0
Basic and Diluted Earnings per Common Share	\$0.91	\$0.57
Cash Dividends per Common Share	\$0.83	\$0.83

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

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

Twelve Months Ended June 30	2000	1999
	(thousands)	
Electric Operating Revenues	\$908,071	\$911,485
Operating Expenses		
Operation		
Fuel	139,029	127,175
Purchased power	101,006	69,888
Other	201,889	189,523
Maintenance	70,316	69,543
Depreciation	119,097	117,568
Income taxes	50,159	74,634
General taxes	92,312	93,287
Total	773,808	741,618
Electric Operating Income	134,263	169,867
Other Income and (Deductions)		
Allowance for equity funds used during construction	2,921	3,679
Miscellaneous income and (deductions) - net	(48,289)	(49,966)
Income taxes	54,077	50,292
Total	8,709	4,005
Income Before Interest Charges	142,972	173,872
Interest Charges		
Long-term debt	53,811	53,897
Short-term debt	8,448	1,266
Mandatorily redeemable Preferred Securities	12,450	12,450
Miscellaneous	3,145	4,078
Allowance for borrowed funds used during construction	(7,091)	(2,640)
Total	70,763	69,051
Income before cumulative effect of changes in accounting principles	72,209	104,821
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 1)	30,073	0
Net Income	102,282	104,821
Preferred Stock		
Dividend Requirements	2,666	3,818
Earnings Available for Common Stock	\$99,616	\$101,003
Average Number of Common Shares Outstanding	61,890	61,896
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	\$1.12	\$1.63
Cumulative effect to January 1, 2000, of changes in accounting principles	0.49	0
Basic and Diluted Earnings per Common Share	\$1.61	\$1.63
Cash Dividends per Common Share	\$1.66	\$1.66

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 to Date June 30	2000	1999
	(thousands)	
Cash Flows from Operating Activities		
Income before cumulative effect of changes in accounting principles	\$27,315	\$37,021
Adjustments to reconcile income to net cash from operating activities:		
Depreciation of electric plant	60,166	59,497
Amortization of:		
Nuclear fuel	8,640	7,129
Other	5,731	6,035
Deferred income taxes (net)	(3,467)	(16,479)
Investment tax credit amortization	(2,235)	(2,218)
Fuel contract settlements	0	(13,391)
Losses from equity investments	16,240	8,918
Asset impairments	6,750	1,773
Kansas rate refund accrual	0	(14,200)
Missouri rate refund accrual	0	4,989
Allowance for equity funds used during construction	(1,950)	(1,686)
Other operating activities (Note 2)	26,795	(27,858)
Net cash from operating activities	143,985	49,530
Cash Flows from Investing Activities		
Utility capital expenditures	(230,236)	(58,811)
Allowance for borrowed funds used during construction	(5,120)	(1,407)
Purchases of investments	(40,850)	(17,744)
Purchases of nonutility property	(13,485)	(18,473)
Hawthorn No. 5 partial insurance recovery	50,000	
Other investing activities	13,113	(2,481)
Net cash from investing activities	(226,578)	(98,916)
Cash Flows from Financing Activities		
Issuance of long-term debt	272,000	10,889
Repayment of long-term debt	(57,000)	(35,938)
Net change in short-term borrowings	(79,339)	99,648
Dividends paid	(52,177)	(53,271)
Other financing activities	(2,768)	(783)
Net cash from financing activities	80,716	20,545
Net Change in Cash and Cash Equivalents	(1,877)	(28,841)
Cash and Cash Equivalents at Beginning of Year	13,073	43,213
Cash and Cash Equivalents at End of Period	\$11,196	\$14,372
Cash Paid During the Period for:		
Interest (net of amount capitalized)	\$39,503	\$44,365
Income taxes	\$109	\$17,870

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KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Cash Flows

Twelve Months Ended June 30	2000	1999
	(thousands)	
Cash Flows from Operating Activities		
Income before cumulative effect of changes in accounting principles	\$72,209	\$104,821
Adjustments to reconcile income to net cash from operating activities:		
Depreciation of electric plant	119,097	117,568
Amortization of:		
Nuclear fuel	17,293	16,776
Other	11,959	10,565
Deferred income taxes (net)	(13,772)	(25,272)
Investment tax credit amortization	(4,470)	(4,408)
Fuel contract settlements	0	(13,391)
Losses from equity investments	32,273	18,705
Asset impairments	26,055	7,801
Gain on sale of Nationwide Electric, Inc. stock	(19,835)	0
Kansas rate refund accrual	0	(6,640)
Missouri rate refund accrual	(4,989)	4,989
Allowance for equity funds used during construction	(2,921)	(3,679)
Other operating activities (Note 2)	21,665	(16,267)
Net cash from operating activities	254,564	211,568
Cash Flows from Investing Activities		
Utility capital expenditures	(352,112)	(129,942)
Allowance for borrowed funds used during construction	(7,091)	(2,640)
Purchases of investments	(58,178)	(41,647)
Purchases of nonutility property	(50,804)	(34,217)
Sale of KLT Power	0	53,033
Sale of Nationwide Electric, Inc. stock	39,617	0
Hawthorn No. 5 partial insurance recovery	130,000	0
Other investing activities	5,278	(3,363)
Net cash from investing activities	(293,290)	(158,776)
Cash Flows from Financing Activities		
Issuance of long-term debt	272,000	8,890
Repayment of long-term debt	(130,122)	(75,393)
Net change in short-term borrowings	49,712	106,198
Dividends paid	(105,568)	(106,588)
Redemption of preferred stock	(50,000)	0
Other financing activities	(472)	(1,485)
Net cash from financing activities	35,550	(68,378)
Net Change in Cash and Cash Equivalents	(3,176)	(15,586)
Cash and Cash Equivalents at Beginning of Period	14,372	29,958
Cash and Cash Equivalents at End of Period	\$11,196	\$14,372
Cash Paid During the Period for:		
Interest (net of amount capitalized)	\$69,658	\$75,908
Income taxes	\$34,539	\$42,658

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

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Year to Date June 30		Twelve Months Ended June 30	
	2000	1999	2000	1999	2000	1999
	(thousands)					
Net income	\$ 26,740	\$ 25,138	\$ 57,388	\$ 37,021	\$ 102,282	\$ 104,821
Other comprehensive income (loss):						
Unrealized gain (loss) on securities available for sale	-	3,167	-	3,900	(7,678)	(669)
Income tax benefit (expense)	-	(1,144)	-	(1,409)	2,776	244
Net unrealized gain (loss) on securities available for sale	-	2,023	-	2,491	(4,902)	(425)
Reclassification adjustment, net of tax	-	-	2,337	-	2,337	-
Comprehensive Income	\$ 26,740	\$ 27,161	\$ 59,725	\$ 39,512	\$ 99,717	\$ 104,396

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three Months Ended June 30		Year to Date June 30		Twelve Months Ended June 30	
	2000	1999	2000	1999	2000	1999
	(thousands)					
Beginning Balance	\$ 423,500	\$ 428,948	\$ 418,952	\$ 443,699	\$ 427,449	\$ 429,216
Net Income	26,740	25,138	57,388	37,021	102,282	104,821
	450,240	454,086	476,340	480,720	529,731	534,037
Dividends Declared						
Preferred stock - at required rates	411	949	824	1,896	2,839	3,835
Common stock	25,666	25,688	51,353	51,375	102,729	102,753
Ending Balance	\$ 424,163	\$ 427,449	\$ 424,163	\$ 427,449	\$ 424,163	\$ 427,449

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

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- - Determined the expected return by multiplying the long-term rate of return times the market-related value. We determine market-related value by recognizing changes in fair value of plan assets over a five-year period.

KCPL 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 will lead to greater fluctuations in pension expense in the future and will have the following current effects:

	Changes in Method of Accounting for Pensions *				Net Total
	Amortization of Gains and Losses	Expected Return	Total Reductions**		
(millions except per share)					
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, 1998:

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
1998					
Income	\$ 2.9	\$ 3.2	\$ 6.1	\$ (1.1)	\$ 5.0
Basic and diluted earnings per common	\$ 0.05	\$ 0.05	\$ 0.10	\$ (0.02)	\$ 0.08

* All changes are increases to income or earnings per common share and are after income taxes. The effect on quarterly earnings would be one-fourth of the amounts reported except for the cumulative effect of change in method of accounting which is a one time income increase.

** The Reductions column reflects amounts for the effects of capitalized labor, net of depreciation, and power plants joint-owner shares of pension costs.

2. CONSOLIDATED STATEMENTS OF CASH FLOWS - OTHER OPERATING ACTIVITIES

	Year to Date		Twelve Months Ended	
	2000	1999	2000	1999
Cash flows affected by changes in:	(thousands)			
Receivables	\$ (23,532)	\$ (8,364)	\$(16,585)	\$ 2,362
Fuel inventories	(910)	(3,776)	(974)	(4,778)
Materials and supplies	(519)	181	(1,626)	560
Accounts payable	45,683	(7,446)	59,674	9,753
Accrued taxes	17,961	14,134	(10,826)	(7,733)
Accrued interest	(4,111)	(9,805)	(2,268)	(5,465)
Wolf Creek refueling outage accrual	5,292	(10,337)	10,370	(4,876)
Other	(13,069)	(2,445)	(16,100)	(6,090)
Total	\$ 26,795	\$(27,858)	\$ 21,665	\$(16,267)

3. SECURITIES AVAILABLE FOR SALE

In 2000, CellNet Data System Inc. (CellNet) completed a sale of its assets to a third party. Accordingly, in March 2000, KLT Inc. (KLT) wrote-off its investment in CellNet of \$4.8 million before taxes (\$0.05 per share). At December 31, 1999, \$3.8 million before taxes (\$0.04 per share) of this loss had been reported as an unrealized loss in the Consolidated Statement of Comprehensive Income.

Prior to the write-off, 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 held as of June 30, 1999 was \$4.8 million. Accumulated net unrealized gains were \$2.6 million at June 30, 1999.

4. CAPITALIZATION

KCPL Financing I (Trust) has previously 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 KCPL.

In the first quarter of 2000, KCPL issued \$200 million of unsecured, floating rate medium-term notes. As of June 30, 2000, \$100 million of unsecured medium-term notes remained available for issuance under an indenture dated December 1, 1996.

In 2000, KCPL entered into interest rate cap agreements to limit the interest rate on the \$200 million of unsecured medium-term notes. The cap agreements mature in 2002 and limit the interest rate on the \$200 million of unsecured debt to a maximum of 7.65%.

In the second quarter of 2000, KLT renegotiated its existing \$125 million bank credit agreement from short-term to a three-year revolving credit agreement. The new agreement had a weighted-average rate of 7.85% at June 30, 2000. At June 30, 2000, KLT had borrowed \$82 million under this agreement, which has been included in long-term debt in the Consolidated Statements of Capitalization. At December 31, 1999, KLT had borrowed \$61 million under its previous bank credit agreement, which was included in current maturities of long-term debt in the Consolidated Balance Sheet.

5. SEGMENT AND RELATED INFORMATION

KCPL's three reportable segments are strategic business units. Electric Operations includes the regulated electric utility, unallocated corporate charges and wholly-owned subsidiaries on an equity basis. KLT and HSS are holding companies for various nonregulated business ventures.

The summary of significant accounting policies applies to all of the segments. We evaluate performance based on profit or loss from operations and return on capital investment. We eliminate all intersegment sales and transfers. We include KLT and Home Service Solutions Inc. (HSS) revenues and expenses in Other Income and (Deductions) and Interest Charges in the Consolidated Statements of Income.

The tables below reflect summarized financial information concerning KCPL's reportable segments.

	Electric Operations	KLT	HSS	Intersegment Eliminations	Consolidated Totals
	(thousands)				
Three Months Ended June 30, 2000					
Electric Operating Income (a)	\$ 37,237				\$ 37,237
Miscellaneous income (b)	15,737	\$ 52,907	\$ (141)	\$ (2,748)	65,755
Miscellaneous deductions (c)	(12,982)	(53,973)	(1,656)	150	(68,461)
Income taxes on Other Income and (Deductions)	53	8,557	701	-	9,311
Interest Charges	(15,219)	(3,797)	-	-	(19,016)
Net income(loss)	26,740	3,694	(1,096)	(2,598)	26,740
Three Months Ended June 30, 1999					
Electric Operating Income (a)	\$ 40,963				\$ 40,963
Miscellaneous income (b)	4,212	\$ (1,436)	\$ 491	\$ 1,012	4,279
Miscellaneous deductions (c)	(7,068)	(8,165)	(804)	-	(16,037)
Income taxes on Other Income and (Deductions)	442	11,914	75	-	12,431
Interest Charges	(14,034)	(3,087)	-	-	(17,121)
Net income(loss)	25,138	(774)	(238)	1,012	25,138
Six Months Ended June 30, 2000					
Electric Operating Income (a)	\$ 57,212				\$ 57,212
Miscellaneous income (b)	20,064	\$ 57,099	\$ 219	\$ 95	77,477
Miscellaneous deductions (c)	(24,216)	(68,567)	(3,853)	297	(96,339)
Income taxes on Other Income and (Deductions)	1,453	20,513	1,417	-	23,383
Interest Charges	(29,148)	(7,220)	-	-	(36,368)
Net income(loss)(d)	57,388	1,825	(2,217)	392	57,388
Six Months Ended June 30, 1999					
Electric Operating Income (a)	\$ 66,898				\$ 66,898
Miscellaneous income (b)	10,002	\$ (2,520)	\$ 987	\$ 842	9,311
Miscellaneous deductions (c)	(14,956)	(15,190)	(1,463)	-	(31,609)
Income taxes on Other Income and (Deductions)	1,211	23,343	120	-	24,674
Interest Charges	(27,820)	(6,119)	-	-	(33,939)
Net income(loss)	37,021	(486)	(356)	842	37,021

Twelve Months Ended June 30, 2000	Electric	KLT	HSS	Intersegment	Consolidated
	Operations		(thousands)	Eliminations	
Electric Operating Income (a)	\$ 134,263				\$ 134,263
Miscellaneous income (b)	35,692	\$ 76,792	\$(1,123)	\$ 4,199	115,560
Miscellaneous deductions (c)	(51,275)	(105,163)	(7,708)	297	(163,849)
Income taxes on Other Income and (Deductions)	8,393	42,368	3,316	-	54,077
Interest Charges	(57,785)	(12,978)	-	-	(70,763)
Net income(loss)(d)	102,282	1,019	(5,515)	4,496	102,282

Twelve Months Ended June 30, 1999	Electric	KLT	HSS	Intersegment	Consolidated
	Operations		(thousands)	Eliminations	
Electric Operating Income (a)	\$ 169,867				\$ 169,867
Miscellaneous income (b)	19,964	\$ 3,604	\$ 1,720	\$ 3,273	28,561
Miscellaneous deductions (c)	(36,562)	(39,569)	(2,396)	-	(78,527)
Income taxes on Other Income and (Deductions)	4,450	45,644	198	-	50,292
Interest Charges	(56,577)	(12,474)	-	-	(69,051)
Net income(loss)	104,821	(2,795)	(478)	3,273	104,821

- (a) Refer to the Consolidated Statements of Income for detail of Electric Operations revenues and expenses.
- (b) Includes nonregulated revenues, interest and dividend income, income and losses from equity investments and gains on sales of property.
- (c) Includes nonregulated expenses, losses on sales of property, asset impairments and merger-related expenses.
- (d) Includes \$30.1 million cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes.

	Identifiable Assets	
	June 30, 2000	December 31, 1999
	(thousands)	
Electric Operations	\$ 3,037,921	\$ 2,851,469
KLT	314,283	267,763
HSS	45,673	50,043
Intersegment Eliminations	(178,086)	(179,133)
Consolidated Totals	\$ 3,219,791	\$ 2,990,142

6. COMMITMENTS AND CONTINGENCIES

Environmental Matters

KCPL's policy is to act in an environmentally responsible manner and use the latest technology available to avoid and treat contamination. We continually conduct environmental audits designed to ensure compliance with governmental regulations and to detect contamination. However, governmental bodies may impose additional or more rigid environmental regulations that could require substantial changes to operations or facilities.

Monitoring Equipment and Certain Air Toxic Substances

The Clean Air Act Amendments of 1990 required KCPL to spend about \$5 million in prior years for the installation of continuous emission monitoring equipment to satisfy the requirements under the acid rain provision. Also, a study under the Act could require

regulation of certain air toxic substances, including mercury. We cannot predict the likelihood of any such regulations or compliance costs.

Air Particulate Matter

In July 1997, the United States Environmental Protection Agency (EPA) published new air quality standards for particulate matter. Additional regulations implementing these new particulate standards have not been finalized. Without the implementation regulations, the impact of the standards on KCPL cannot be determined. However, the impact on KCPL and other utilities that use fossil fuels could be substantial. Under the new fine particulate regulations the EPA is conducting a three-year study of fine particulate emissions. Until this testing and review period has been completed, KCPL cannot determine additional compliance costs, if any, associated with the new particulate regulations.

Nitrogen Oxide

In 1997 the EPA also issued new proposed regulations on reducing nitrogen oxide (NOx) emissions. The EPA announced in 1998 final 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 KCPL's Missouri coal-fired plants by the year 2003.

In December 1998, KCPL and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in the 1997 NOx reduction program. On March 3, 2000, a three-judge panel of the D.C. 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 contribute to ozone formation in downwind states. The impact of this decision, which is likely to be appealed in whole or part, is unknown at this time, however, it is likely to delay the implementation of new NOx regulations by EPA in Missouri for some time.

In May 1999, a three-judge panel of the D.C. Circuit of the U.S. Court of Appeals found certain portions of the NOx control program unconstitutional in a related case. The U.S. Supreme Court has agreed to hear the appeal of this decision by the EPA. A final decision by the U.S. Supreme Court is expected in the spring of 2001, and the outcome cannot be predicted at this time. If the panel's decision is upheld, the effect will be to decrease the severity of the standards with which KCPL ultimately may need to comply.

To achieve the reductions proposed in the 1997 NOx reduction program, KCPL would need to incur significant capital costs, purchase power or purchase NOx emissions allowances. It is possible that purchased power or emissions allowances may be too costly or unavailable.

Preliminary analysis of the regulations indicate that selective catalytic reduction technology may be required for some of the KCPL units, as well as other changes. Currently, we estimate 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. These capital expenditure estimates do not include the costs of the new air quality control equipment to be installed at Hawthorn No. 5. The new air control equipment designed to meet current environmental standards will also comply with the proposed requirements discussed above.

We continue to refine our preliminary estimates and explore alternatives to comply with these new regulations in order to minimize, to the extent possible, KCPL's capital costs and operating expenses. The ultimate cost of these regulations could be significantly different from the amounts estimated above.

The State of Missouri is currently developing a State Implementation Plan (SIP) for NOx reduction in response to the EPA's effort to regulate NOx emissions. As currently proposed, KCPL would not incur significant additional costs to comply with the State of Missouri SIP. In May 2000, the Missouri Air Conservation Commission approved statewide NOx regulations requiring compliance with a rate of 0.35 lbs. NOx / mMBtu of heat input. We do not anticipate that KCPL will incur significant additional costs to comply with these new regulations.

Carbon Dioxide

At a December 1997 meeting in Kyoto, Japan, the Clinton Administration supported changes to the International Global Climate Change treaty which would require a seven percent reduction in United States carbon dioxide (CO2) emissions below 1990 levels. The Administration has not submitted this change to the U.S. Senate where ratification is uncertain. If future reductions of electric utility CO2 emissions are eventually required, the financial impact upon KCPL could be substantial.

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. Wolf Creek Nuclear Operating Corporation (WCNOC) and the owners of the other five nuclear units in the compact have provided most of the pre-construction financing for this project. As of June 30, 2000, KCPL's net investment on its books 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. In December 1998, the utilities filed a federal court lawsuit contending Nebraska officials acted in bad faith while handling the license application. On January 15, 1999, a request for a contested case hearing on the denial of the license was filed. On April 16, 1999, a U.S. District Court judge in Nebraska issued an injunction staying indefinitely any further activity on the contested case hearing. In May 1999, the state of Nebraska appealed the injunction. In April 2000 the court of appeals affirmed the U.S. District Court's decision. The possibility of reversing the license denial will be greater when the contested case hearing ultimately is conducted than it would have been had the hearing been conducted immediately.

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.

Corporate Owned Life Insurance

On January 4, 2000, KCPL received written notification from the Internal Revenue Service (IRS) that it intends to dispute interest deductions associated with KCPL's corporate owned life insurance (COLI) program. We understand this issue is an IRS Coordinated Issue and thus has been raised and not finalized for many of the largest companies in the country. A disallowance of KCPL's COLI interest deductions and assessed interest on the disallowance for tax years 1994 to 1998 would reduce net income by approximately \$13 million. KCPL believes it has complied with all applicable tax laws and regulations and will vigorously contest any adjustment or claim by the IRS including exhausting all appeals available.

Home Service Solutions Inc. Debt Guarantee

During 2000, R.S. Andrews Enterprises, Inc. (RSAE), entered into a bank credit agreement, which currently has an outstanding loan balance of \$8 million. The agreement is collateralized by the common stock shares of a major shareholder of RSAE. As secondary assurance to the lender, HSS guaranteed the loan; however, HSS' wholly-owned subsidiary, Worry Free Service, Inc., and its assets are not subject to the guaranty.

Legal Proceedings

See Part II - Other Information, Item 1. Legal Proceedings.

7. RECEIVABLES

	June 30 2000	December 31 1999
	(thousands)	
KCPL Receivable Corporation	\$ 42,192	\$ 29,705
Other Receivables	52,888	41,843
Receivables	\$ 95,080	\$ 71,548

In 1999 KCPL entered into a revolving agreement to sell all of its right, title and interest in the majority of its customer accounts receivable to KCPL Receivable Corporation, a special purpose entity established to purchase customer accounts receivable from KCPL. KCPL Receivable Corporation has sold receivable interests to outside investors. In consideration of the sale, KCPL received \$60 million in cash and the remaining balance in the form of a subordinated note from KCPL Receivable Corporation. The agreement is structured as a true sale under which the creditors of KCPL Receivable Corporation will be entitled to be satisfied out of the assets of KCPL Receivable Corporation prior to any value being returned to KCPL or its creditors.

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

8. SIGNIFICANT NONREGULATED INVESTMENTS (Subsequent to December 31, 1999)

During the first quarter of 2000, KLT Gas purchased a 50% ownership in Patrick Energy, an Oklahoma oil and gas exploration and development company. The investment is accounted for using the equity method and is approximately \$20 million at June 30, 2000.

On April 1, 2000, KLT Energy Services invested an additional \$6.4 million in Strategic Energy, LLC (SEL). SEL provides energy supply coordination services and purchases electricity and gas for resale to retail end users. SEL also provides strategic planning and consulting services in natural gas and electricity markets. With this investment, KLT Energy Services economic ownership percentage increased to 71% (68% of the voting interest) and required KLT to change its accounting treatment of SEL from the equity basis to consolidation. Goodwill associated with KLT Energy Services' ownership in SEL is being amortized over 15 years using the straight-line method.

KLT Energy Services has consolidated SEL as if the acquisition took place at the beginning of 2000. Consistent with the purchase method of accounting for business combinations, prior year financial information has not been restated. SEL revenues consolidated by KLT for the six months ended June 30, 2000, totaled \$48 million resulting in income before taxes of \$6 million. SEL revenues for the year ended December 31, 1999, totaled \$63 million resulting in SEL's income before taxes of \$7 million.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Common Stock Put and Call Option Agreement

KLT entered into a put and call agreement in 1999 in which the grantee has the option to sell to KLT up to 1,411,765 common shares of a publicly traded stock at a purchase price of \$3.54 per share. KLT is also granted the right to purchase up to 1,411,765 common shares at a purchase price of \$4.25 per share. The exercise period of the option is from April 30, 2000 through September 30, 2000. At June 30, 2000, the stock was trading at approximately \$4.99 per share but KLT has not exercised its option. Since there are no publicly traded options for the underlying common stock, the value of KLT's option is not readily determinable therefore it has not been recorded in the consolidated financial statements.

Gas Market Price Hedge Instruments

KLT sells 15,000 mmBtu (equivalent to approximately 15 Million Cubic Feet) of natural gas per day under 3 firm sales agreements of 5,000 mmBtu. One of the contracts expired on June 30, 2000. The remaining two contracts expire in February 2001 and are priced at weighted-average rates of \$2.57 and \$2.59 per mmBtu, respectively. These contracts are forward contracts settled by physical delivery and KLT records revenues on the covered sales using the weighted-average rates under the agreements.

KLT has also entered three financial hedge instruments covering an additional 22,500 mmBtu of natural gas per day as of June 30, 2000. Two of these instruments expire in April 2001 and fix KLT's revenue on sales of 10,000 mmBtu per day at a weighted-average rate of \$2.62 per mmBtu. The third instrument also expires in April 2001, but the mmBtu covered and the swap price per mmBtu are variable. At June 30, 2000, this instrument covered 12,500 mmBtu per day and fixed KLT's revenue on the covered sales at a weighted-average rate of \$3.11 per mmBtu. The effect of the swap agreement is calculated by comparing the rate per the swap agreements to the NYMEX natural gas rate as of the beginning of the month, which for June 2000 was \$4.41 per mmBtu. The difference is accounted for by KLT as an adjustment to the related revenues.

With these six agreements, KLT has mitigated its exposure to market price fluctuations on approximately 85% of its daily sales. For its remaining gas sales not covered by these contracts, KLT sells at prevailing market prices.

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

REGULATION AND COMPETITION

As competition develops throughout the electric utility industry, we are positioning Kansas City Power & Light Company (KCPL) to excel in an open market. We are continuing to improve the efficiency of KCPL's electric utility operations, lowering prices and offering new services.

Competition in the electric utility industry accelerated with the passage of the National Energy Policy Act of 1992. This Act gave the Federal Energy Regulatory Commission (FERC) the authority to require electric utilities to provide transmission line access to independent power producers (IPPs) and other utilities (wholesale wheeling).

An increasing number of states have already adopted open access requirements for utilities' retail electric service, allowing competing suppliers access to their retail customers (retail wheeling). Many other states, including Kansas and Missouri, have actively considered retail competition. Several comprehensive retail competition bills were introduced in the 2000 Missouri General Assembly but none passed this year. No comprehensive retail competition bills were introduced in the 2000 Kansas Legislature.

Retail access could result in market-based rates below current cost-based rates, providing growth opportunities for low-cost producers and risks for higher-cost producers, especially those with large industrial customers. Lower rates and the loss of major customers could result in stranded costs and place an unfair burden on the remaining customer base or shareholders. We cannot predict whether any stranded costs would be recoverable in future rates. If an adequate and fair provision for recovery of lost revenues is not provided, certain generating assets may have to be evaluated for impairment and appropriate charges recorded against earnings. In addition to lowering profit margins, market-based rates could require generating assets to be depreciated over shorter useful lives, increasing operating expenses.

KCPL is positioned to compete in an open market with its diverse customer mix and pricing strategies. Industrial customers make up about 20% of KCPL's retail mwh sales, well below the utility industry average. KCPL's flexible industrial rate structure is competitive with other companies' rate structures in the region. In addition, we have entered into long-term contracts for a significant portion of KCPL's industrial sales. Although no direct competition for retail electric service currently exists within KCPL's service territory, it does exist in the bulk power market and between alternative fuel suppliers and KCPL. Third-party energy management companies are seeking to initiate relationships with large users in KCPL's service territory to enhance their chances to supply electricity directly when retail wheeling is authorized.

Increased competition could also force utilities to change accounting methods. Financial Accounting Standards Board (FASB) Statement No. 71 - - Accounting for Certain Types of Regulation, applies to regulated entities whose rates are designed to recover the costs of providing service. A utility's operations could cease meeting the requirements of FASB 71 for various reasons, including a change in regulation or a change in the competitive environment for a company's regulated services. For those operations no longer meeting the requirements of regulatory accounting, regulatory assets would be written off. KCPL can maintain its \$134 million of regulatory assets at June 30, 2000, as long as FASB 71 requirements are met.

Competition could eventually have a material, adverse effect on KCPL's results of operations and financial position. Should competition eventually result in a significant charge to equity, capital requirements and related costs could increase significantly.

PROPOSED RESTRUCTURING

KCPL is proactively seeking to restructure the company in advance of retail access legislation into a holding company with three separate subsidiaries - Power Supply, Power Delivery and KLT Inc. (KLT). This proposed restructuring will be subject to approval by a number of regulatory authorities. We cannot predict when or if these approvals will be received. As part of this restructuring, we are requesting that the generation assets (Power Supply) be deregulated.

We expect this proposed restructuring to create additional value for KCPL and its shareholders by:

- - Enabling KCPL to leverage its low-cost generation assets in an unregulated environment.
- - Allowing management to focus on value creation within each business unit.
- - Facilitating growth of each business unit and the expansion into new markets.
- - Allowing the financial market to evaluate the nonregulated assets at a share price to earnings multiple that is greater than the multiple historically used to evaluate the regulated electric utility.

Applications for approval of the proposed restructuring were filed with the Missouri Public Service Commission on May 15, 2000, and with the Kansas Corporation Commission on June 5, 2000.

Power Supply - generation

KCPL's electric generation business is fundamentally sound and competitive. It has a strong asset mix including baseload, intermediate and peaking units. KCPL has historically been a low-cost provider in its region and, with the rebuild of Hawthorn No. 5 (projected to be placed in service in June 2001), KCPL's generation should be positioned well to compete in a deregulated market.

In addition to the rebuild of Hawthorn No. 5, KCPL has been investing in increased capacity. In July 1999, Hawthorn No. 6, a 141-megawatt unit was placed in service. Hawthorn Nos. 7, 8 and 9 have been placed into commercial use this summer. Combined, Hawthorn Nos. 7, 8 and 9 have nearly 300 megawatts of natural gas-fired generating capacity.

We expect that there will be a power supply agreement for a period of time between the Power Supply and Power Delivery subsidiaries while Power Supply's additional generating capacity and competitive cost structure can also be utilized to sell electricity in the competitive wholesale market. We believe KCPL will realize many benefits, including:

- - The ability to make a higher return in a deregulated or competitive market.
- - The ability to make investment decisions and enter into strategic partnerships without needing regulatory approval.

Power Delivery - transmission and distribution

KCPL transmission and distribution (T&D) currently serves over 460,000 customers and experiences annual load growth of around 3% through increased customer usage and additional customers. KCPL's rates charged for electricity are currently below the national average. Additionally, there is a moratorium on changes to Missouri retail rates until 2002.

The creation of a separate business for T&D will isolate KCPL's regulated assets in a separate business unit. We will pursue an incentive-based regulatory model under the new structure for the T&D regulated business. In addition, the T&D business currently plans to participate in the Southwest Power Pool Independent System Operator (ISO). This will satisfy the FERC requirement

to participate in a Regional Transmission Organization (RTO). RTOs will combine the transmission operations of utility businesses in the region into an organization that can schedule and deliver energy in the region to ensure regional transmission reliability.

KLT INC. NONREGULATED OPPORTUNITIES

KLT, a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures. Existing ventures include investments in telecommunications, oil and gas development and production, energy services and affordable housing limited partnerships.

KCPL's investment in KLT was \$119 million as of June 30, 2000 and December 31, 1999. KLT's income for the six months ended June 30, 2000, totaled \$1.8 million compared to a loss of \$0.5 million for the six months ended June 30, 1999. (See KLT earnings per share analysis on page 27 for significant factors impacting KLT's operations and resulting net income for all periods.) KLT's consolidated assets totaled \$314 million at June 30, 2000 compared to \$268 million at December 31, 1999.

Telecommunications

Through our subsidiary, KLT Telecom, we own 47% of DTI Holdings (acquired in 1997), which is the parent company of Digital Teleport, Inc. (DTI), a facilities-based telecommunications company. DTI is creating an approximately 20,000 route-mile, digital fiber optic network comprised of 23 regional rings that interconnect primary, secondary and tertiary cities in 37 states. DTI now owns or controls over 12,000 route-miles of fiber optic capacity with local rings located in the metropolitan areas of Kansas City, St. Louis, Memphis and Tulsa. By the end of 2000, DTI projects it will have over 18,000 route-miles of its network constructed. DTI Holdings has disclosed that to achieve this business plan it will need significant financing to fund capital expenditures, working capital, debt service requirements and anticipated future operating losses. DTI Holdings estimates total capital expenditures necessary to complete their network will be in excess of \$300 million.

The strategic design of the DTI network allows DTI to offer reliable, high-capacity voice and data transmission services, on a region-by-region basis, to primary carriers and end-user customers who seek a competitive alternative to existing providers. DTI's network infrastructure is designed to provide reliable customer service through back-up power systems, automatic traffic re-routing and computerized automatic network monitoring. If the network experiences a failure of one of its links, the routing intelligence of the equipment transfers traffic to the next choice route, thereby ensuring call delivery without affecting customers. DTI currently provides services to other communications companies including Tier 1 and Tier 2 carriers. DTI also provides private line services to targeted business and governmental end-user customers.

KLT Telecom continues to evaluate options to realize value from its 47% ownership in DTI. At June 30, 2000, KLT Telecom's \$45 million equity investment in DTI had been completely written down. Should DTI experience losses after June 30, 2000, KCPL's consolidated earnings will not be impacted.

KLT and KCPL continue to explore the creation of a business-to-business exchange, the purpose of which is to allow utilities and other companies to purchase various goods and services online. The exchange is now expected to commence operations in the third quarter of 2000.

Oil and Gas Development and Production

KLT Gas pursues nonregulated growth primarily through the acquisition, development and production of natural gas properties. KLT Gas' strategy is to create shareholder value through the

acquisition and development of natural gas properties, ultimately divesting the developed properties as appropriate. We have built a knowledge base in coalbed methane production and reserves evaluation. Therefore, KLT Gas focuses on coalbed methane; a niche in the oil and gas industry where we believe our expertise gives us a competitive advantage. Coalbed methane, with a longer, predictable reserve life, is inherently lower risk than conventional gas exploration. In addition to coalbed methane projects, we seek out high quality conventional gas production to add further value to our operations. Conventional gas properties comprise approximately 25% of KLT Gas' production as of June 30, 2000.

KLT Gas has properties in Colorado, Texas, Wyoming, Oklahoma, Kansas, New Mexico and North Dakota. KLT Gas has an ownership interest in approximately 350 wells in these states and plans to drill over 150 additional wells during 2000. These totals include KLT Gas' January 2000 acquisition of 80 wells with significant proven reserves. As it pursues its growth strategy, KLT Gas develops newly acquired areas to realize significant gas production from proven reserves. With the January 2000 acquisition, we estimate net proven reserves at June 30, 2000, of approximately 275 billion cubic feet. Average gas production at June 30, 2000, was approximately 43 million cubic feet per day. These levels of net production and reserves in the United States would place KLT Gas in the top 100 publicly-traded oil and gas companies, based on the September 1999 Oil and Gas Journal.

The future price scenarios for natural gas appear strong, showing steady growth. We believe the demand for natural gas should strengthen into the future. Environmental concerns and the increased demand for natural gas for new electric generating capacity are driving this projected growth in demand. We believe that natural gas prices will continue to be more stable than oil prices and that an increased demand for natural gas will move natural gas prices upward in the future. We utilize gas forward contracts and price swap contracts for up to 85% of production to minimize the risk of gas price changes.

Energy Services

In 1999 KLT Energy Services acquired a 56% ownership interest (49% of the voting interest) in Strategic Energy, LLC (SEL). In April 2000, KLT Energy Services invested an additional \$6.4 million to increase its ownership interest to 71% (68% of the voting interest). SEL buys and manages electricity and natural gas in unregulated markets for commercial and industrial customers. SEL also provides strategic planning and consulting services in natural gas and electricity markets.

SEL builds strong customer relationships by providing quality services over extended periods of time. SEL has provided services to over 100 Fortune 500 companies and currently serves over 6,000 customers. SEL has developed an excellent market reputation over the past fifteen years.

SEL has developed into a major provider of services, mainly electricity for a fee, in the newly deregulated electricity market in Pennsylvania, capturing approximately 10% of the eligible commercial market and 4% of the eligible industrial market in western Pennsylvania. SEL utilizes hedges on all of its retail obligations to eliminate any material market risk.

SEL has invested substantial dollars over the past three years in information systems necessary to manage both retail and wholesale energy on an integrated basis. SEL plans to continue investing in systems to maintain and exploit their technological advantage.

HOME SERVICE SOLUTIONS INC. NONREGULATED OPPORTUNITIES

Home Service Solutions Inc. (HSS), a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures, primarily in residential services. At June 30, 2000, HSS had a 49% ownership in

R.S. Andrews Enterprises, Inc. (RSAE), a consumer services company in Atlanta, Georgia. RSAE has made acquisitions in key U.S. markets. RSAE provides heating, cooling, plumbing and electrical services as well as appliance services, pest control and home warranties. Additionally, Worry Free Service, Inc., a wholly-owned subsidiary of HSS, assists residential customers in obtaining financing primarily for heating and air conditioning equipment.

KCPL's investment in HSS was \$46.3 million as of June 30, 2000, and December 31, 1999. HSS' loss for the six months ended June 30, 2000, totaled \$2.2 million compared to \$0.4 million for the six months ended June 30, 1999. HSS' increased loss for the six months ended June 30, 2000, was primarily due to continued losses associated with its investment in RSAE. At June 30, 2000, KCPL's net investment in HSS was \$39.6 million, which includes losses to date of \$6.7 million.

RESULTS OF OPERATIONS

Three-month period: Three months ended June 30, 2000, compared with three months ended June 30, 1999
 Six-month period: Six months ended June 30, 2000, compared with six months ended June 30, 1999
 Twelve-month period: Twelve months ended June 30, 2000, compared with twelve months ended June 30, 1999

EARNINGS OVERVIEW

	Three months ended June 30		Six months ended June 30		Twelve months ended June 30	
	2000	1999	2000	1999	2000	1999
Core utility earnings per share	\$0.39	\$0.40	\$0.43	\$0.59	\$1.19	\$1.69
KLT Inc. gain (loss) ¹	0.06	(0.01)	0.03	(0.01)	0.02	(0.05)
HSS Inc. loss	(0.02)	-	(0.04)	(0.01)	(0.09)	(0.01)
Cumulative effect of changes in pension accounting	-	-	0.49	-	0.49	-
Reported earnings per share (EPS)	\$0.43	\$0.39	\$0.91	\$0.57	\$1.61	\$1.63

	For the Periods Ended June 30, 2000 versus June 30, 1999		
	Three Months	Six Months	Twelve Months
Factors impacting core utility EPS	Increase (decrease)		
Merger impact	\$ 0.02	\$ 0.02	\$ 0.17
July 1999 heat storm	-	-	(0.18)
1999 write off of start up costs	-	0.02	0.02
Retail customers' rate reduction in Missouri effective March 1, 1999	-	(0.02)	(0.10)
Other (see discussion below)	(0.03)	(0.18)	(0.41)
Total impact of factors impacting core utility EPS	\$(0.01)	\$(0.16)	\$(0.50)

¹ See KLT earnings per share analysis on page 27.

Contributing to the decreases in other factors impacting core utility EPS (reflected in the table above) are the following:

- The impact of the unavailability of Hawthorn No. 5 (see discussion on page 32).

- Higher net interchange and fuel costs, because of increased per unit prices, of approximately \$11 million or \$0.11 per share in the three-month period, \$15 million or \$0.15 per share in the six-month period and \$17 million or \$0.17 per share in the twelve-month period. The impact of these increased costs on EPS was partially offset by increased revenues during the three- and six-month periods.
- Higher customer accounts expenses in the six- and twelve-month periods.
- Forced outage insurance and guaranteed capacity costs in all periods of approximately \$2 million or \$0.02 per share.

Effective January 1, 2000, KCPL 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 KCPL to record the cumulative effect of these changes in the three months ended March 31, 2000, increasing common stock earnings by \$0.49 per share or \$30.1 million. Additionally, the changes in pension accounting will reduce pension expense by \$8.2 million for the year 2000, increasing earnings per share by \$0.08 per share. One-half of this reduction in pension expense was allocated to the six months ended June 30, 2000. See Note 1 to the Consolidated Financial Statements for further information.

MEGAWATT-HOUR (MWH) SALES AND OPERATING REVENUES

Sales and revenue data:

(revenue change in millions)

	Periods ended June 30, 2000 versus June 30, 1999					
	Three Months		Six Months		Twelve Months	
	Mwh	Revenues	Mwh	Revenues	Mwh	Revenues
	Increase (decrease)					
Retail Sales:						
Residential	4 %	\$ 3	2 %	\$ 3	(1)%	\$ (3)
Commercial	4 %	4	5 %	5	3 %	4
Industrial	3 %	2	2 %	3	- %	2
Other	8 %	-	10 %	-	6 %	1
Total Retail	4 %	9	3 %	11	1 %	4
Sales for Resale:						
Bulk Power Sales	2 %	1	(19) %	(1)	(15)%	(7)
Other	2 %	-	2 %	-	1 %	-
Total	4 %	10	- %	10	(1)%	(3)
Other revenues		1		1		-
Total Operating Revenues		\$ 11		\$ 11		\$ (3)

In 1999 the Missouri Public Service Commission (MPSC) approved a stipulation and agreement that called for KCPL to reduce its annual Missouri electric revenues by 3.2%, or about \$15 million effective March 1, 1999. Revenues decreased by approximately \$2 million for the six-month period and \$10 million for the twelve-month period as a result of the Missouri rate reduction. As part of the stipulation and agreement, KCPL, MPSC Staff or the Office of Public Counsel will not file any case with the Commission, requesting a general increase or decrease, rate credits or rate refunds that would become effective prior to March 1, 2002.

For all periods, retail mwh sales increased primarily due to continued load growth. Load growth consists of higher usage-per-customer as well as the addition of new customers. Less than 1% of revenues include an automatic fuel adjustment provision.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. The unavailability of Hawthorn No. 5 contributed to the decreases in bulk power mwh sales for the six- and twelve-month periods. Wolf Creek's tenth maintenance and refueling outage during the second quarter of 1999 contributed to reduced bulk power mwh sales for the three, six and twelve months ended June 30, 1999. Furthermore, the Fall 1998 outage at Hawthorn No. 5, due to a ruptured steam pipe, and the Fall 1998 outage at LaCygne No. 1 contributed to reduced bulk power mwh sales for the twelve months ended June 30, 1999.

Future mwh sales and revenues per mwh could be affected by national and local economies, weather, customer conservation efforts and availability of generating units. Competition, including alternative sources of energy, such as natural gas, co-generation, IPPs and other electric utilities, may also affect future sales and revenue.

FUEL AND PURCHASED POWER

	Percentage change for the period	
	Combined fuel and purchased power expenses	Total MWH sales
	Increase(Decrease)	
Three-month period	31 %	4 %
Six-month period	19 %	- %
Twelve-month period	22 %	(1)%

Excluding the fuel costs of Hawthorn No. 5 for all periods, and the impact of the July 1999 heat storm for the twelve-month period, net interchange and fuel costs increased by about \$11 million for the three-month period, \$15 million for the six-month period and \$17 million for the twelve-month period. These increased costs included higher fuel costs per mwh of generation by 28% for the three-month period, 15% for the six-month period and 8% for the twelve-month period primarily because of increased generation at fossil plants using natural gas and oil. Natural gas and oil have a significantly higher fuel cost per mwh of generation than coal or nuclear fuel. Additionally, for all periods the cost per mwh for purchased power was significantly higher than the fuel cost per mwh of generation. The total cost of purchased power increased 12% for the three-month period, 22% for the six-month period and 45% for the twelve-month period even though total mwh of purchased power decreased for all periods. For the twelve-month period, the unavailability of Hawthorn No. 5 resulted in increased purchased power expenses partially offset by decreased fuel expenses at Hawthorn No. 5. Moreover, as a result of the intense and prolonged heat in the Midwest during the last half of July 1999, KCPL incurred approximately \$18 million in higher costs, including purchased power expenses, net of the increased revenues.

We have implemented the following risk mitigation measures to protect KCPL in the event of another very hot summer period:

- - Price protection: We have replaced 325 megawatts of KCPL's purchased capacity at market-based energy prices with about 300 megawatts of generation at known prices. Hawthorn Nos. 7, 8 and 9, gas-fired units, have been completed and placed into commercial use this summer.
- - Forced outage swaps for the period June 1 to September 30, 2000: We made arrangements to share the forced outage exposure of two of KCPL's larger generating units with another utility's two generating units outside of our service territory. Each utility will supply the other with up to 50 mwh per hour of electricity per generating unit at a set price per mwh should a forced outage

occur. If KCPL has to supply power under this agreement, the maximum exposure (which is unlikely) is from \$5 million to \$10 million.

- - Forced outage insurance: We have implemented two insurance risk mitigation measures to protect KCPL in the event of a forced outage during the summer months. Insurance coverage, above certain deductible limits and at a cost of \$3.7 million, would partially offset the excess costs of replacement power incurred if a forced outage occurs at any of KCPL's major generating units. In addition, we purchased 100 megawatts of capacity with delivery guaranteed by the supplier at a cost of \$4.3 million, from June through September, in the event of a forced outage at certain of KCPL's major generating units. These costs are being expensed equally over the coverage periods.
- - Delivery protection: KCPL has purchased 905 megawatts of firm transmission capacity from neighboring systems to ensure the delivery of power from outside sources during summer peak periods.

Nuclear fuel costs per mMBtu decreased 7% for the twelve-month period and remained substantially less than the mMBtu price of coal. Nuclear fuel costs per mMBtu averaged about 54% of the mMBtu price of coal for the twelve months ended June 30, 2000, and 59% of the mMBtu price of coal for the twelve months ended June 30, 1999. We expect the price of nuclear fuel to remain fairly constant through the year 2003. During the twelve months ended June 30, 2000, fossil plants represented about 68% and the nuclear plant about 32% of total generation. For the twelve months ended June 30, 1999, fossil plants represented about 71% and the nuclear plant about 29% of total generation.

The cost of coal per mMBtu increased 2% for the twelve-month period partially because of the unavailability of Hawthorn No. 5. The cost of coal per mMBtu at Hawthorn No. 5 was lower than the average cost of coal per mMBtu at most of KCPL's other coal-fired plants. However, KCPL's coal procurement strategies continue to provide coal costs below the regional average and we expect coal costs to remain fairly consistent with current levels through 2000.

OTHER OPERATION AND MAINTENANCE EXPENSES

Combined other operation and maintenance expenses increased about \$4 million or 7% for the three-month period, \$13 million or 10% for the six-month period and about \$13 million or 5% for the twelve-month period primarily due to the following:

- - Non-station production expenses increased because of the cost of forced outage insurance purchased in the second quarter of 2000 and energy costs incurred during the test runs at Hawthorn Nos. 7, 8 and 9.
- - Non-fuel production operations 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.
- - For the three- and six-month periods, administrative and general expenses decreased primarily due to the impact of the changes in pension accounting.
- - For the three- and six-month periods, maintenance expenses increased primarily due to scheduled maintenance at KCPL's generating units.
- - For the six- and twelve-month periods, customer accounts expenses increased primarily due to computer software consulting services.
- - For the twelve-month period, customer accounts expenses also increased because of higher meter reading expenses.
- - For the twelve-month period, Hawthorn No. 5's other operation and maintenance expenses decreased because of the boiler explosion in February 1999.

- - For the twelve-month period, administrative and general expenses increased primarily due to increased salary expenses incurred for information technology Year 2000 preparedness and implementation of system applications. Much of the additional salary expense associated with the implementation of system applications was capitalized in the twelve months ended June 30, 1999.
- - For the twelve-month period, production maintenance expenses decreased primarily due to lower maintenance expenses during forced outages at KCPL's generating units.

We continue to emphasize new technologies, improved work methodology and cost control. We continuously improve our work processes to increase efficiencies and improve operations.

DEPRECIATION

The increase in depreciation expense for all periods reflected increased depreciation of capitalized computer software for internal use and normal increases in depreciation from capital additions. These increases were partially offset in the six- and twelve-month periods by a decrease in depreciation expense because Hawthorn No. 5 was partially retired due to the February 1999 explosion.

TAXES

Operating income taxes decreased for all periods reflecting lower taxable operating income.

Components of general taxes:

	Three months ended June 30		Six months ended June 30		Twelve months ended June 30	
	2000	1999	2000	1999	2000	1999
	(thousands)					
Property	\$ 10,341	\$ 10,741	\$ 20,681	\$ 21,483	\$ 41,933	\$ 41,864
Gross receipts	9,281	9,007	17,936	17,919	41,233	41,609
Other	2,377	2,343	4,596	4,500	9,146	9,814
Total	\$ 21,999	\$ 22,091	\$ 43,213	\$ 43,902	\$ 92,312	\$ 93,287

OTHER INCOME AND (DEDUCTIONS)

KLT summarized operations:

	Three months ended June 30		Six months ended June 30		Twelve months ended June 30	
	2000	1999	2000	1999	2000	1999
	(millions, except for earnings per share)					
Miscellaneous income and (deductions) - net *	\$ (1.1)	\$ (9.6)	\$ (11.5)	\$ (17.7)	\$ (28.4)	\$ (36.0)
Income taxes	8.6	11.9	20.5	23.3	42.4	45.6
Interest charges	(3.8)	(3.1)	(7.2)	(6.1)	(13.0)	(12.4)
Net income (loss)	\$ 3.7	\$ (0.8)	\$ 1.8	\$ (0.5)	\$ 1.0	\$ (2.8)

KLT earnings (loss) per share	\$ 0.06	\$(0.01)	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.05)
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* To table on page 28

KLT earnings per share analysis:

	Three months ended June 30		Six months ended June 30		Twelve months ended June 30	
	2000	1999	2000	1999	2000	1999
	(earnings per share)					
KLT excluding items below	\$ 0.11	\$ 0.08	\$ 0.20	\$ 0.13	\$ 0.39	\$ 0.26
Write-off of CellNet stock	-	-	(0.05)	-	(0.05)	-
Sale of Custom Lighting Services	0.02	-	0.02	-	0.02	-
Sale of Nationwide Electric	-	-	-	-	0.20	-
Write down of Lyco investment	-	-	-	-	(0.03)	-
Write down of a note receivable	-	-	-	-	(0.05)	-
KLT Power transactions- 1998	-	-	-	-	-	(0.02)
KLT Telecom - Telemetry Solutions	-	(0.02)	-	(0.04)	(0.18)	(0.08)
KLT Telecom - Digital Teleport Inc.	(0.07)	(0.07)	(0.14)	(0.10)	(0.28)	(0.21)
KLT Earnings (Loss) per share	\$ 0.06	\$ (0.01)	\$ 0.03	\$(0.01)	\$ 0.02	\$(0.05)

For all periods, earnings per share from KLT (excluding KLT Telecom and one-time transactions) increased primarily due to improved earnings from its investments in gas production and development, and energy services.

In June 2000, KLT sold its investment in Custom Lighting Services, resulting in a gain of \$2.5 million before taxes. In March 2000, KLT wrote off its investment of \$4.8 million before taxes in CellNet Data Systems Inc. Through December 31, 1999, \$3.8 million before taxes, or \$0.04 per share, of this loss had been reported as an unrealized loss in the Consolidated Statements of Comprehensive Income.

KLT recorded equity losses on its investment in Digital Teleport, Inc. (DTI) of approximately \$7 million for the three months ended June 30, 2000, \$14 million for the six months ended June 30, 2000, and \$28 million for the twelve months ended June 30, 2000. DTI is developing a National fiber optic network. At June 30, 2000, the equity investment in DTI had been completely written down. Should DTI experience losses after June 30, 2000, KCPL's consolidated earnings will not be impacted.

In the twelve months ended June 30, 2000, KLT Energy Services sold 100% of the stock it held in Nationwide Electric, Inc., resulting in a gain of \$20 million. Additionally, in the twelve months ended June 30, 2000, KLT Telecom wrote off its investment in Telemetry Solutions. Both the write-off of the investment (\$0.13 per share) and the operating losses incurred in the twelve months ended June 30, 2000, prior to the write-off, are included on the KLT Telecom - Telemetry Solutions line in the earnings per share table above.

Miscellaneous income and (deductions) - net:

	Three months		Six months		Twelve months	
	ended June 30		ended June 30		ended June 30	
	2000	1999	2000	1999	2000	1999
	(millions)					
Merger-related expenses	\$ -	\$ (0.8)	\$ (0.2)	\$ (1.1)	\$ (2.3)	\$ (9.6)
* From table on page 27	(1.1)	(9.6)	(11.5)	(17.7)	(28.4)	(36.0)
Other	(1.6)	(1.4)	(7.2)	(3.5)	(17.6)	(4.4)
Total Miscellaneous income and (deductions) - net	\$ (2.7)	\$ (11.8)	\$ (18.9)	\$ (22.3)	\$ (48.3)	\$ (50.0)

Other Miscellaneous income and (deductions) - net for the six- and twelve-month periods were affected by an increase of approximately \$2 million in the six-month period and \$3 million in the twelve-month period primarily reflecting bad debt expense associated with the sale of accounts receivable to KCPL Receivable Corporation. Prior to establishing KCPL Receivable Corporation, bad debt expense on accounts receivable was recorded as an other operating expense. A \$2.3 million reduction in electric operations interest and dividend income also affected the twelve-month period. Further, HSS' operations resulted in increased deductions of approximately \$1.5 million for the three-month period, \$3.2 million for the six-month period and \$8.2 million for the twelve-month period primarily due to equity losses from HSS' investment in R.S. Andrews Enterprises, Inc.

Other Income and (Deductions) - Income taxes

Other Income and (Deductions) - Income taxes for all periods reflects the tax impact on total miscellaneous income and (deductions) - net. In addition, KLT accrued tax credits of \$14 million for the six months ended June 30, 2000, and \$15 million for the six months ended June 30, 1999. KLT accrued tax credits of \$27 million for the twelve months ended June 30, 2000 and 1999.

INTEREST CHARGES

Long-term debt interest expense increased for the three- and six-month periods, 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 reflect \$200 million of unsecured, floating rate medium-term notes issued by KCPL in March 2000 partially offset by scheduled debt repayments by KCPL. In addition, KLT Gas made borrowings on a new bank credit agreement entered in the first quarter of 2000. KLT made scheduled debt repayments on its affordable housing notes partially offsetting the increase in average levels of outstanding long-term debt.

Short-term debt interest expense increased for all periods, since KCPL had higher average levels of outstanding short-term debt. KCPL had \$159 million of commercial paper outstanding at June 30, 2000, compared to \$95 million at June 30, 1999.

We use interest rate swap and cap agreements to limit the volatility in interest expense on a portion of KCPL's variable-rate, long-term debt. Although these agreements are an integral part of interest rate management, the incremental effect on interest expense and cash flows is not significant. We do not use derivative financial instruments for speculative purposes.

Allowance for Funds Used During Construction

Allowance for funds used during construction (allowance for equity funds and borrowed funds) increased during all periods because of increased expenditures for construction projects at the Hawthorn generating station. Allowance for borrowed funds used during construction increased more than equity funds used during construction in all periods due to higher balances of outstanding short-term debt during the periods. FERC guidelines for calculating the allowance used during construction require consideration of the level of outstanding short-term debt before equity funds.

WOLF CREEK

Wolf Creek is one of KCPL's principal generating units, representing about 18% of KCPL's generating capacity, excluding the Hawthorn No. 5 generating unit. The plant's operating performance has remained strong over the last three years, contributing about 28% of the annual mwh generation while operating at an average capacity of 92%. Furthermore, Wolf Creek has the lowest fuel cost per mmBtu of any of KCPL's generating units.

We accrue 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 eleventh refueling and maintenance outage is scheduled for Fall 2000 and is estimated to be a 35-day outage.

Wolf Creek's tenth refueling and maintenance outage, estimated to be a 40-day outage, began April 3, 1999, and was completed May 9, 1999. Actual costs of the 1999 outage were \$1 million less than the estimated and accrued costs for the outage primarily because the 36-day outage was shorter than estimated. In fact, it was the shortest refueling and maintenance outage in Wolf Creek's history.

Ownership and operation of a nuclear generating unit exposes KCPL 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.

ENVIRONMENTAL MATTERS

KCPL's operations must 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 polychlorinated biphenyl (PCBs), asbestos and other potentially hazardous materials. The Federal Comprehensive Environmental Response, Compensation and Liability Act (the Superfund law) imposes strict joint and several liability for those who generate, transport or deposit hazardous waste. This liability extends to the current property owner, as well as prior owners, back to the time of contamination.

We continually conduct environmental audits 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).

SIGNIFICANT CONSOLIDATED BALANCE SHEET CHANGES (June 30, 2000 compared to December 31, 1999)

- Utility plant - construction work in process increased \$141.9 million primarily due to increases of \$111.1 million at Hawthorn No. 5 for rebuilding the boiler and \$43.2 million for construction of Hawthorn Nos. 8 and 9, which were placed into commercial use in July 2000.
- Investments and nonutility property increased \$8.1 million primarily due to a \$6.1 million increase in KLT's investments including:
 - \$ 30.5 million increase in oil and gas property and investments,
 - \$ 7.3 million decrease due to increased ownership in Strategic Energy, L.L.C. (SEL) resulting in a change in the accounting for SEL from the equity method to consolidation,
 - \$ 14.0 million decrease due to equity losses from the investment in Digital Teleport Inc.
- Receivables increased \$23.5 million primarily due to \$18.8 million in accounts receivable recorded by KLT due to the consolidation of SEL and a \$12.5 million increase in a receivable from KCPL Receivable Corporation. Because of seasonally higher retail sales in June 2000 versus December 1999, there were higher customer accounts receivable available to sell to KCPL Receivable Corporation. These increases were partially offset by decreased receivables from partners in jointly-owned plants by \$6.5 million.
- Other current assets increased \$10.4 million primarily due to \$4.0 million in prepayments for risk mitigation measures including forced outage insurance and guaranteed electric capacity during the summer months.
- Prepaid pension costs increased \$58.7 million because KCPL changed its methods of accounting for pension expenses (see Note 1 to the Consolidated Financial Statements).
- Other deferred charges increased \$13.7 million primarily due to increased goodwill resulting from KLT's purchase of an additional ownership interest in SEL and the change in accounting for SEL from the equity method to consolidation.
- Capitalization increased \$277.6 million primarily due to KCPL's issuance of \$200 million of unsecured medium-term notes. Proceeds from the issuance were used to repay outstanding short-term commercial paper. Additionally, KCPL reclassified \$50.0 million of long-term debt to current maturities and recorded net income in excess of dividend payments of \$5.2 million, including \$30.1 million for the cumulative effect of changes in pension accounting. KLT's long-term debt increased \$120.1 million primarily due to renegotiating KLT's bank credit agreement from short-term to long-term, and \$51.0 million of borrowings on a new KLT Gas bank credit agreement.
- Notes payable to banks decreased \$24.7 million because KLT Gas repaid its notes payable to banks with proceeds from borrowings on its new long-term bank credit agreement.
- Commercial paper decreased \$54.7 million as a result of the \$200.0 million repayment with the proceeds from the new long-term debt. This decrease was partially offset by additional commercial paper borrowings because expenditures exceeded cash receipts.
- Current maturities of long-term debt decreased \$54.9 million primarily reflecting the renegotiating of KLT's bank credit agreement from short-term to long-term, which was \$61.0 million at December 31, 1999, partially offset by an \$8.0 million increase in the current portion of KCPL's medium-term notes.
- Accounts payable increased \$45.7 million primarily due to the timing of payments for expenditures associated with construction projects at the Hawthorn generating station and \$13.6 million in accounts payable recorded by KLT due to the consolidation of SEL.

- Accrued taxes increased \$18.0 million primarily due to the timing of income tax and property tax payments.
- Deferred income taxes increased by \$19.1 million mostly due to a \$19.2 million increase in deferred taxes associated with the cumulative effect of changes in pension accounting.

CAPITAL REQUIREMENTS AND LIQUIDITY

KCPL's liquid resources at June 30, 2000, included cash flows from operations; \$100 million of registered but unissued, unsecured medium-term notes; and \$159 million of unused bank lines of credit. The unused lines consisted of KCPL's short-term bank lines of credit of \$116 million and KLT's bank credit agreement of \$43 million. These amounts do not include \$4 million available to KLT Gas on its new \$55 million bank credit agreement as these funds are only available to KLT Gas for oil and gas development and production.

KCPL continues to generate positive cash flows from operating activities. Individual components of working capital will 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. The increase in cash from operating activities for the six-month period was primarily due to changes in certain working capital items (as detailed in Note 2 to the Consolidated Financial Statements). Additionally, the buyout of a fuel contract in 1999; the refund of amounts accrued for the Kansas rate refunds; and a payment of \$19 million in 1999 to the IRS to settle certain outstanding issues decreased cash flows from operating activities for the six months ended June 30, 1999. Partially offsetting these changes for the six-month period, income before non-cash expenses (income is before the cumulative effect of changes in accounting principles) decreased by about \$7 million.

Cash from operating activities increased for the twelve-month period primarily due to changes in certain working capital items (as detailed in Note 2 to the Consolidated Financial Statements). Additionally, the buyout of a fuel contract in 1999 and a payment of \$19 million in 1999 to the IRS to settle certain outstanding issues decreased cash flows from operating activities for the twelve months ended June 30, 1999. Partially offsetting these changes for the twelve-month period, income before non-cash expenses (income is before the cumulative effect of changes in accounting principles) decreased by about \$29 million.

Cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility property. Cash used for investing activities increased for the six-month period primarily reflecting increased utility capital expenditures for construction projects at the Hawthorn generating station and increased purchases by KLT of oil and gas investments. The receipt of \$50 million in the six-month period of partial insurance recoveries related to Hawthorn No. 5 partially offset the above increases. Cash used for investing activities increased for the twelve-month period primarily because of increased utility capital expenditures and increased expenditures for oil and gas nonutility property. The proceeds from the sale of the Nationwide Electric, Inc. stock by KLT Energy Services and \$130 million in partial insurance recoveries related to Hawthorn No. 5 partially offset these increases in the twelve-month period. The twelve months ended June 30, 1999, reflected the proceeds from the sale of KLT Power Inc.

Cash from financing activities increased for the six- and twelve-month periods primarily because KCPL issued \$200 million of unsecured medium-term notes in the first quarter of 2000 and KLT increased borrowings on its bank credit agreements, including KLT Gas' new bank credit agreement. Furthermore, KCPL's short-term borrowings increased for both periods prior to the repayment with proceeds from the unsecured medium-term note issuance. Partially offsetting these

increases, KCPL's scheduled debt repayments were higher in both periods. In the twelve-month period, KCPL redeemed \$50 million of preferred stock.

KCPL's common dividend payout ratio was 148% (excluding the cumulative effect of changes in accounting principles) for the twelve months ended June 30, 2000, and 102% for the twelve months ended June 30, 1999.

We expect KCPL to meet day-to-day operations, utility construction requirements (excluding new generating capacity) and dividends with internally-generated funds. But KCPL 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 environment regulations and the availability of generating units (see Hawthorn No. 5 discussion below). The funds needed to retire \$564 million of maturing debt through the year 2004 will be provided from operations, refinancings and/or short-term debt. KCPL may issue additional debt and/or additional equity to finance growth or take advantage of new opportunities.

HAWTHORN NO. 5

On February 17, 1999, an explosion occurred at the 476-megawatt, coal-fired Hawthorn Generating Station Unit No. 5 (Hawthorn No. 5). The boiler, which was not operating at the time, was destroyed, but there were no injuries. Though the cause of the explosion is still under investigation, preliminary results indicate that an explosion of accumulated gas in the boiler's firebox caused the damage. KCPL has property insurance coverage with limits of \$300 million. Through June 30, 2000, KCPL has received \$130 million in insurance recoveries under this coverage and has recorded the recoveries in Utility Plant - accumulated depreciation on the consolidated balance sheet.

We have entered into a contract for construction of a new coal-fired boiler to permanently replace the lost capacity of Hawthorn No. 5. Expenditures for rebuilding Hawthorn No. 5 were \$36 million in 1999 and are projected to be \$213 million in 2000 and \$73 million in 2001. These amounts have not been reduced by the insurance proceeds received to date or future proceeds to be received. Construction on the new unit, expected to have a capacity of 550 megawatts, is progressing and is on target for an in-service date in June 2001. A milestone event was reached in June 2000 when the steam drum was successfully raised into place on the rebuilt structure.

We believe that we can secure sufficient power to meet the energy needs of KCPL's customers during the Hawthorn No. 5 reconstruction and we have implemented risk mitigation measures as discussed on page 24. Hawthorn No. 6, a 141-megawatt, gas-fired combustion turbine was accepted under a lease arrangement and placed into commercial operation in July 1999. In addition, construction of two new natural gas-fired combustion turbines and a re-powered existing unit, Hawthorn Nos. 7, 8 and 9, has been completed and the units were placed into commercial use this summer. These three units are capable of generating 294 megawatts of capacity.

Assuming normal weather and operating conditions, we estimate additional expenses (before tax) of \$31 million for the year 2000 and \$3 million for the year 2001 due to the unavailability of Hawthorn No. 5. This estimate mainly includes the effect of increased net replacement power costs, reduced bulk power sales and reduced fuel expense at Hawthorn No. 5.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

KCPL is exposed to market risks associated with commodity price and supply, interest rates and equity prices.

Commodity Risk

KCPL and KLT, through its majority-owned subsidiary, Strategic Energy, L.L.C. (SEL), engage in the wholesale and retail marketing of electricity, and accordingly, are exposed to risk associated with the price of electricity.

KCPL's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity and long, intermediate and short-term contracts. KCPL maintains a net positive supply of energy and capacity, through its generation assets and power purchase and lease agreements, to protect it from the potential operational failure of one of its owned or contracted power generating units. Including the proposed capacity for the rebuilt Hawthorn No. 5, KCPL's expected reserve margin will approximate 18% of its capacity. However, as necessary, KCPL enters into power purchase agreements with the objective of obtaining low-cost energy to meet its physical delivery obligations to its customers. We have implemented price and volume risk mitigation measures to protect KCPL in the event of a hot summer period. These measures are more fully discussed in the Fuel and Purchased Power section of Management's Discussion and Analysis.

KCPL's operations include the regulated sales of electricity to its retail customers and bulk power sales of electricity in the unregulated, wholesale market. There is a moratorium on changes to Missouri retail rates until 2002. A hypothetical 10% increase in the cost of purchased power would have resulted in a \$10 million decrease in pretax earnings in the twelve months ended June 30, 2000. A hypothetical 10% increase in fossil fuel costs for generation would have resulted in a \$11 million decrease in pretax earnings in the twelve months ended June 30, 2000.

SEL provides power supply coordination services purchasing electricity and reselling it to retail end users. SEL 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. SEL has entered into a supply contract with a call option that mitigates the commodity risk associated with its power supply coordination services.

KLT, through its wholly-owned subsidiary, KLT Gas Inc., has entered into three firm gas sales agreements and three financial hedge instruments to mitigate its exposure to market price fluctuations on approximately 85% of its daily gas sales. For further discussion of these agreements see Note 9. Derivative Financial Instruments in the Notes to Consolidated Financial Statements.

We continue to believe that KCPL and KLT's business philosophy, performance measurement and other management activities are not consistent with that of a "trading organization". Commitments to purchase and sell energy and energy-related products are carried at cost. We report the revenue and expense associated with all energy contracts at the time the underlying physical transaction closes consistent with the business philosophy of generating/purchasing and delivering physical power to customers.

Interest Rate Risk

KCPL and KLT use a combination of fixed rate and variable rate debt. Interest rate swap and cap agreements may be entered into with highly rated financial institutions to reduce interest rate exposure on variable rate debt when deemed appropriate, based upon market conditions. Using outstanding balances and annualized interest rates as of June 30, 2000, a hypothetical 10% increase in the interest rates associated with variable rate debt would have resulted in a \$5 million decrease in pretax earnings for the twelve-months ended June 30, 2000.

Equity Price Risk

KCPL maintains trust funds, as required by the Nuclear Regulatory Commission (NRC), to fund certain costs of decommissioning its nuclear plant. We do not expect nuclear plant decommissioning to start before 2025. As of June 30, 2000, these funds were invested primarily in domestic equity securities and fixed income securities and are reflected at fair value on the Consolidated 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 million reduction in the value of the decommissioning trust funds. A hypothetical 10% decrease in equity prices would have resulted in a \$2 million reduction in the fair value of the equity securities as of June 30, 2000.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Discrimination Claims. Three law firms joined together and filed eight cases representing a number of plaintiffs alleging race discrimination and hostile work environment against KCPL in the United States District Court, Western District of Missouri. The first of these cases was tried during the second quarter of 2000. Although the outcome was unfavorable to the Company, it was not in an amount which was material to results of operations. Two of these cases, Patricia S. Lang, on behalf of herself and all others similarly situated v. Kansas City Power & Light Company, and Carlos Salazar, et al. v. Kansas City Power & Light Company, were previously disclosed in the Company's report on Form 10-K for the period ended December 31, 1999.

In the Patricia S. Lang case, plaintiff seeks to bring a claim of race discrimination as a class action on behalf of herself and all other current and former African American employees from May 11, 1994 to the present. The complaint alleges that plaintiff and members of the proposed class are subjected to a hostile and offensive working environment, denied promotional opportunities, compensated less than similarly situated or less qualified Caucasian employees, and are disciplined and/or terminated when they complain of racially discriminatory practices at KCPL. The complaint seeks a money 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 prohibiting KCPL from retaliating against anyone participating in the litigation and continuing monitoring of KCPL's compliance with anti-discrimination laws. Additional plaintiffs were added to the case during the second quarter. It is not possible at this time to evaluate the materiality of the relief sought. We believe, however, that we will be able to successfully defend the certification of any class action. In the Carlos Salazar case, the request for class action certification has been withdrawn.

Management intends to vigorously defend the remainder of these cases, but it is possible that the total costs (including legal costs) associated with these cases and potential related unasserted claims could be in an amount material to the Company's financial condition or results of operations.

Item 6. Exhibits and Reports on Form 8-K.

EXHIBITS

- Exhibit 10 Second Amended and Restated Credit Agreement among KLT Inc., Bank One, NA, as Agent, Commerzbank Aktiengesellschaft, New York and Grand Cayman Branches, as Syndication Agent, Westdeutsche Landesbank Girozentrale, New York Branch, as Documentation Agent, and Various Lenders, dated June 30, 2000
- Exhibit 27 Financial Data Schedule (for the six months ended June 30, 2000)

REPORTS ON FORM 8-K

No reports on Form 8-K were filed for the six months ended June 30, 2000.

SIGNATURES

Pursuant to the requirements 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.

KANSAS CITY POWER & LIGHT COMPANY

Dated: August 4, 2000 By: /s/Drue Jennings
(Drue Jennings)
(Chief Executive Officer)

Dated: August 4, 2000 By: /s/Neil Roadman
(Neil Roadman)
(Principal Accounting Officer)

SECOND AMENDED AND RESTATED
CREDIT AGREEMENT

among

KLT INC.,

BANK ONE, NA,
as Agent,

COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK AND GRAND CAYMAN BRANCHES,
as Syndication Agent,

WESTDEUTSCHE LANDESBANK GIROZENTRALE,
NEW YORK BRANCH,
as Documentation Agent,

and

the LENDERS named herein

Dated as of June 30, 2000

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KLT INC.
SECOND AMENDED AND RESTATED
CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of June 30, 2000, is among KLT Inc., the Lenders and Bank One, NA, as Agent. The parties hereto agree as follows:

WHEREAS, the Borrower, Bank One, NA (then known as the First National Bank of Chicago), as administrative agent, and certain Lenders (the "Prior Lenders") are parties to an Amended and Restated Credit Agreement dated as of May 15, 1996 (as amended, the "Prior Agreement"), pursuant to which the Prior Lenders agreed to make available to the Borrower revolving credit loans on the terms and conditions set forth therein; and

WHEREAS, the Borrower, the Agent, and the Lenders party hereto desire to amend and restate the Prior Agreement in certain respects as more fully set forth herein; and

WHEREAS, pursuant to the terms of this Agreement, on the Restatement Date (as defined below), (i) the Prior Agreement shall be amended and restated pursuant hereto, (ii) all loans and other obligations of the Borrower to the Prior Lenders outstanding as of such date shall be deemed to be loans and obligations under the credit facility described herein, (iii) the New Lenders (as defined below) shall become parties to this Agreement, and (iv) all provisions of this Agreement not previously in effect shall become effective;

NOW, THEREFORE, in consideration of the undertakings set forth herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree that, effective upon the Restatement Date, the Prior Agreement is hereby amended and restated in its entirety to read as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power

only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans (including, without limitation, Loans which result from payments or disbursements under Letters of Credit pursuant to Section 2.21) made 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. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

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

"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 Second Amended and Restated Credit Agreement, as it may be amended or modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles consistently applied as in effect on December 31, 1999.

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

"Applicable Margin" means 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.

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

"Authorized Officer" means any officer of the Borrower, acting singly.

"Bank One" means Bank One, NA, a national banking association, in its individual capacity, and its successors and assigns.

"Borrower" means KLT Inc., 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.

"Business Plan" means the plans of the Borrower's business and investment strategy prepared by the Borrower and set forth in Schedule "3" attached hereto.

"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 Agreement Accounting Principles.

"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 Agreement Accounting Principles.

"Change in Control" means either (i) the Parent shall cease to own, free and clear of all Liens or other encumbrances, 100% of the outstanding shares of voting stock of the Borrower on a fully diluted basis, or (ii) the acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of more than 50% of the outstanding shares of voting stock of the Parent with the ability to vote such beneficial ownership to direct the affairs of the Parent.

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

"Collateral" means "Collateral" as defined in the Pledge Agreement.

"Collateral Documents" means, collectively, the Pledge Agreement and all other agreements, instruments, or documents necessary to effect the purposes of the Pledge Agreement, including, without limitation, UCC-1 Financing Statements.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth opposite its name on Schedule 5 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.

"Condemnation" is defined in Section 7.8.

"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, including, without limitation, any comfort letter, operating agreement or take-or-pay contract, or application for a letter of credit or similar instrument by such Person or upon which such Person is an account party or for which such Person is in any way liable.

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

"Controlled Group" means all members of a controlled group of corporations 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.

"Corporate Base Rate" means a rate per annum equal to the corporate base rate or prime rate of interest announced by Bank One or its parent from time to time, changing when and as said corporate base rate or prime rate changes.

"Default" means an event described in Article VII.

"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 a Eurodollar Rate.

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

in U.S. dollars are offered by Bank One or one of its Affiliate banks to first-class banks in the London interbank market at approximately 11 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

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

"Eurodollar Rate" means, with respect to a Eurodollar Advance 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, if any, 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.

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

"Facility Termination Date" means June 30, 2003.

"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 Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Floating Rate" means, for any day, a rate per annum equal to the Alternate Base Rate, 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.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) Capitalized Lease Obligations, (vi) Rate Hedging Obligations, and (vii) Contingent Obligations.

"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 (but exclude) 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.

"Investment" of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade), deposit account or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, partnership interests, notes, debentures or other securities or other indebtedness of any other Person made by such Person.

"Issuance Date" means the date of issuance of a Letter of Credit.

"KLT Investments" means KLT Investments, Inc., a Missouri corporation and Wholly-Owned Subsidiary of the Borrower.

"KLT Investments Debt" means Indebtedness incurred by KLT Investments in connection with the acquisition and maintenance of its interests (whether direct or indirect) in low-income housing projects.

"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 Agent, any office, branch, subsidiary or affiliate of such Lender or the Agent.

"Letter of Credit" is defined in Section 2.1.

"Letter of Credit Application" means a letter of credit application in the form used by Bank One at the applicable time for the type of Letter of Credit requested.

"Letter of Credit Fee Rate" means, at any time, the percentage rate per annum at which letter of credit fees are accruing on the aggregate Stated Amount of all Letters of Credit at such time as set forth in the Pricing Schedule; and provided that at any time a Default exists and as long as such Default is continuing, the Letter of Credit Fee Rate shall be increased by an additional 2% per annum.

"Lien" means any lien (statutory or other), security interest, 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 portion of any Advance.

"Loan Documents" means this Agreement, the Notes, the Letter of Credit Applications and the Collateral Documents.

"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, (iii) the ability of the Parent to perform its obligations under the Support Agreement or (iv) the validity or enforceability of any of the Transaction Documents or the rights or remedies of the Agent or the Lenders thereunder.

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

"Net Worth" means the consolidated tangible net worth of the Borrower and its Subsidiaries determined in accordance with Agreement Accounting Principles.

"New Lenders" is defined in Section 9.17.

"Non-Recourse Debt" means Indebtedness which is incurred in connection with the financing by the Borrower or any Subsidiary of the acquisition or construction of an asset and (a) is collateralized by the grant by the Borrower or any Subsidiary of a security interest in such asset and (b) for which recourse for non-payment of any such Indebtedness is limited solely to recourse to such asset (and other Property specifically related thereto, such as permits, books, records, and contracts) and not to any other assets of the Borrower or any Subsidiary.

"Note" means a promissory note, in substantially the form of Exhibit "A" hereto, duly executed by the Borrower and payable to the order of a Lender in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Notice of Assignment" is defined in Section 12.3.2.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Notes, all reimbursement obligations in respect of Letters of Credit and all interest thereon, and all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of

the Borrower to the Lenders or to any Lender, the Agent or any indemnified party hereunder arising under the Loan Documents.

"Other Agents" is defined in Section 10.13.

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

"Participants" is defined in Section 12.2.1.

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

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

"Permitted Acquisition" means, at any time of determination, any Acquisition by the Borrower or any Subsidiary in accordance with the Business Plan which has been approved or consented to by the board of directors or equivalent governing body of the Person whose assets or equity interests are to be acquired.

"Person" means any natural person, corporation, firm, joint venture, partnership, 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.

"Pledge Agreement" means a pledge agreement in the form of Exhibit "C-1" hereto, dated as of April 25, 1995, duly executed and delivered to the Agent by the Borrower, as the same has been and may be amended or modified and in effect from time to time.

"Pricing Schedule" means Schedule 4 attached hereto.

"Prior Agreement" is defined in the recitals to this Agreement.

"Prior Lenders" is defined in the recitals to this Agreement.

"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.

"Purchasers" is defined in Section 12.3.1.

"Rate Hedging Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions

therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"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.

"Rentals" of a Person means the aggregate fixed amounts payable by such Person under any lease of Property having an original term (including any required renewals or any renewals at the option of the lessor or lessee) of one year or more, but does not include any amounts payable under Capitalized Leases of such Person.

"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 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 66-2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 66-2/3% 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.

"Restatement Date" means the day on which (a) the Borrower, the Agent and the Lenders have executed this Agreement and (b) the Borrower has satisfied all of the terms and conditions of Section 4.1.

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

"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.

"Single-Project Subsidiary" means a Subsidiary (a) formed and maintained solely for the purpose of a single project and (b) in respect of the Indebtedness of which the Borrower and the other Subsidiaries shall have no economic liability other than their respective Investments in such Subsidiary.

"Single-Project Subsidiary Debt " means Indebtedness of a Single-Project Subsidiary.

"Stated Amount" means, with respect to any Letter of Credit at any date of determination, the maximum aggregate amount available for drawing thereunder at any time during the then ensuing term of such Letter of Credit under any and all circumstances, plus the aggregate amount of all unreimbursed payments and disbursements under such Letter of Credit.

"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, 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 Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its 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 Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"Support Agreement" means that certain Support Agreement in the form of Exhibit "B" attached hereto dated as of June 30, 2000 by and between Kansas City Power & Light Company and the Borrower for the benefit of the Agent and the Lenders, as it may be amended or modified and in effect from time to time.

"Transaction Documents" means the Loan Documents and the Support Agreement.

"Transferee" is defined in Section 12.4.

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

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested nonforfeitable benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans.

"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, 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 (a) 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 and (b) Bank One agrees to issue standby letters of credit, in each case containing such terms and conditions as are permitted by this Agreement and are reasonably satisfactory to Bank One (each a "Letter of Credit"), at the request of and for the account of the Borrower from time to time before the Facility Termination Date and, as more fully set forth in Section 2.20, each Lender agrees to purchase a participation in each such Letter of Credit; provided that (i) the sum of the aggregate principal amount of all outstanding Loans plus the aggregate Stated Amount of all Letters of Credit shall not at any time exceed the Aggregate Commitment and (ii) the aggregate Stated Amount of all Letters of Credit shall not at any time exceed \$10,000,000. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitments shall expire on the Facility Termination Date.

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, provided that notwithstanding anything contained in this Agreement to the contrary, any Advance which is made under a Letter of Credit shall at all times be deemed to be a Floating Rate Advance.

2.5. Facility and Letter of Credit Fees; Reductions in Aggregate Commitment. The Borrower agrees to pay to the Agent for the account of each Lender from the Restatement Date to and including the Facility Termination Date (or such later date on which all Loans have been paid and all Letters of Credit have expired or been otherwise terminated) (a) a facility fee at a per annum rate equal to the applicable Facility Fee Rate on the average daily amount of such Lender's Commitment, regardless of usage, and (b) a letter of credit fee for each Letter of Credit at a per annum rate equal to the applicable Letter of Credit Fee Rate on the Stated Amount of each such Letter of Credit. Each fee referred to in the foregoing sentence shall be payable on each Payment Date hereafter, on the Facility Termination Date and thereafter on demand. In addition, with respect to each Letter of Credit, the Borrower agrees to pay Bank One, for its own account, (i) such fees and expenses as Bank One customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and (ii) a fronting fee in the amount separately agreed to by the Borrower and Bank One. The Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in integral multiples of \$1,000,000, upon at least ten Business Days' written notice to the 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 facility fees and letter of credit 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 Advance. Each Eurodollar Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$500,000 if in excess thereof), and each Floating Rate Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$500,000 if in excess thereof), provided, however, that any Floating Rate Advance may be in the amount of the unused Aggregate Commitment.

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 any integral multiple of \$500,000 in excess thereof, any portion of the outstanding Floating Rate Advances upon two Business Days' prior notice to the Agent. A Eurodollar Advance may not be paid prior to the last day of the applicable Interest Period.

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 to each Advance from time to time. The Borrower shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m. (Chicago time) at least one Business Day before the Borrowing Date of each Floating Rate Advance and 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 Agent at its address specified pursuant to Article XIII. The Agent will promptly make the funds so received from the Lenders available to the Borrower at the 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. Each Eurodollar Advance of any Type shall continue as a Eurodollar Advance of such Type 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 the Borrower shall have given the Agent a Conversion/Continuation Notice requesting that, at the end of such Interest Period, such Eurodollar Advance either continue as a Eurodollar Advance of such Type for the same or another Interest Period or be converted into an Advance of another Type. Subject to the terms of Section 2.6, the Borrower may elect from time to time to convert all or any part of an Advance of any Type into any other Type or Types of Advances; provided that any conversion of any Eurodollar Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. The Borrower shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of an Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (Chicago time) at least one Business Day, in the case of a conversion into a Floating Rate Advance, or three Business Days, in the case of a conversion into or continuation of a Eurodollar Advance, 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 and Type(s) of Advance(s) into which such Advance is to be converted or continued and, in the case of a conversion into or continuation of a Eurodollar Advance, 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 converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.9 to but excluding the date it becomes due 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 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 as applicable to such Eurodollar Advance. 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 otherwise applicable to the Floating Rate Advance plus 2% per annum.

2.12. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, counterclaim, or (with respect to each affected Lender that complies with Section 2.18) withholding, in immediately available funds to the Agent at the Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (local time) on the date when due and shall be applied ratably by the Agent among the Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with Bank One for each payment of principal, interest and fees as it becomes due hereunder.

2.13. Notes; Telephonic Notices. Each Lender is hereby authorized to record the principal amount of each of its Loans and each repayment on the schedule attached to its Note,

provided, however, that the failure to so record shall not affect the Borrower's obligations under such Note. The Borrower hereby authorizes the Lenders and the 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 Agent or any Lender in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the 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 Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.14. 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, on any date on which the Floating Rate Advance is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. 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. Interest on Eurodollar Advances and facility fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest on Floating Rate Loans shall be calculated for actual days elapsed on the basis of a 365, or when appropriate 366, 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. 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.

2.15. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the 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 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.

2.16. 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 Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or telex notice to the Agent and the Borrower, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.

2.17. Non-Receipt of Funds by the Agent. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the 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 Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The 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 Agent, the recipient of such payment shall, on demand by the Agent, repay to the 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 Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (ii) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.18. Withholding Tax Exemption. At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Borrower and the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement and its Note without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Borrower and the Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Agent, in each case certifying that such Lender is entitled to receive payments under this Agreement and its Note 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 with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

2.19 Letter of Credit Procedures. The Borrower shall give notice to Bank One of the proposed issuance of each Letter of Credit on a Business Day which is at least two Business Days prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by a Letter of Credit Application, duly executed by the Borrower and in all respects reasonably satisfactory to Bank One, together with such other documentation as Bank One may reasonably request in support thereof, it being understood that each Letter of Credit Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall not be later than the Facility Termination Date unless the Borrower shall have pledged cash collateral to the Agent

therefor in an amount, and pursuant to documentation, reasonably satisfactory to the Required Lenders and the Agent) and whether such Letter of Credit is to be transferable in whole or in part. Subject to the satisfaction of the conditions precedent set forth in Section 4 with respect to the issuance of such Letter of Credit, Bank One shall issue such Letter of Credit on the requested issuance date.

2.20 Participations in Letters of Credit. Concurrently with the issuance of each Letter of Credit, Bank One shall be deemed to have sold and transferred to each other Lender, and each other Lender shall be deemed irrevocably and unconditionally to have purchased and received from Bank One, without recourse or warranty, an undivided interest and participation, to the extent of such other Lender's pro rata share (according to its Commitment) in such Letter of Credit and the Borrower's reimbursement obligations with respect thereto. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be Bank One's "participation" therein. Bank One hereby agrees, upon request of any Lender, to deliver to such Lender a list of all outstanding Letters of Credit, together with such information related thereto as such other Lender may reasonably request.

2.21 Reimbursement Obligations; Repayment From Loans. Notwithstanding anything contained in this Agreement to the contrary, the Borrower hereby unconditionally and irrevocably agrees to reimburse Bank One for each payment or disbursement made by Bank One under any Letter of Credit honoring any demand for payment made by the beneficiary thereunder, in each case on the date that such payment or disbursement is made. If the Borrower fails to reimburse Bank One for any payment or disbursement prior to noon, Chicago time, on the date of such payment or disbursement, the Agent will promptly notify each Lender that the Borrower is deemed to have requested that Loans consisting of Floating Rate Loans be made by the Lenders on such day to repay the Borrower's reimbursement obligations under such Letter of Credit. Subject to the conditions set forth in Section 4.2, each Lender shall be obligated to promptly make its pro rata share (according to its Commitment) of the amount so deemed requested by the Borrower available to the Agent, for application to the Borrower's reimbursement obligations under the applicable Letter of Credit (and the provisions of the last two sentences of Section 2.23 shall be applicable to each Lender's obligation to make such Loan). Any amount not reimbursed on the date of a payment or disbursement under a Letter of Credit (by the making of Loans or otherwise) shall bear interest from and including the date of such payment or disbursement to but not including the date that Bank One is reimbursed by the Borrower therefor, payable on demand, at a rate per annum equal to the sum of the Alternate Base Rate from time to time in effect (plus, beginning on the first Business Day after demand by Bank One, 2% per annum). Bank One shall notify the Borrower whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided that the failure of Bank One to so notify the Borrower shall not affect the rights of Bank One or the Lenders in any manner whatsoever.

2.22 Limitation on Bank One's Obligations. In determining whether to pay under any Letter of Credit, Bank One shall have no obligation to the Borrower or any Lender other than to confirm that any documents required to be delivered under such Letter of Credit appear to have

been delivered and appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by Bank One under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence and willful misconduct, shall not impose upon Bank One any liability to the Borrower or any Lender and shall not reduce or impair the Borrower's reimbursement obligations set forth in Section 2.21 or the obligations of the Lenders pursuant to Section 2.23.

2.23 Funding by Lenders to Bank One. If (i) Bank One makes any payment or disbursement under any Letter of Credit and the Borrower has not reimbursed Bank One in full for such payment or disbursement by noon, Chicago time, on the date of such payment or disbursement and any condition precedent to making Loans to reimburse Bank One for such payment or disbursement has not been satisfied or (ii) if any reimbursement received by Bank One from the Borrower is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Borrower or otherwise, each other Lender shall be obligated to pay to Bank One, in full or partial payment of the purchase price of its participation in such Letter of Credit, its pro rata share (according to its Commitment) of such payment or disbursement (but no such payment shall diminish the obligations of the Borrower under Section 2.21), and the Agent shall promptly notify each other Lender thereof. Each other Lender irrevocably and unconditionally agrees, severally and for itself alone, to so pay to the Agent in immediately available funds for Bank One's account the amount of such other Lender's pro rata share of such payment or disbursement. If and to the extent any Lender shall not have made such amount (or the amount of its Loan as described in Section 2.21) available to the Agent by 2:00 p.m., Chicago time, on the Business Day on which such Lender receives notice from the Agent of such payment or disbursement (it being understood that any such notice received after 12:30 p.m., Chicago time, on any Business Day shall be deemed to have been received on the immediately following Business Day), such Lender agrees to pay interest on such amount to the Agent for Bank One's account forthwith on demand for each day from and including the date such amount was to have been delivered to the Agent to but excluding the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Alternate Base Rate from time to time in effect (together with such other compensatory amounts as may be required to be paid by such Lender to the Agent pursuant to the Rules for Interbank Compensation of the Council on International Banking or the Clearinghouse Compensation Committee, as applicable, as in effect from time to time). Any Lender's failure to make available to the Agent its pro rata share of any such payment or disbursement shall not relieve any other Lender of its obligation hereunder to make available to the Agent such other Lender's pro rata share of such payment, but no Lender shall be responsible for the failure of any other Lender to make available to the Agent such other Lender's pro rata share of any such payment or disbursement.

ARTICLE III

CHANGE IN CIRCUMSTANCES

3.1. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of any Lender therewith,

- (i) subjects any Lender or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding federal taxation of the overall net income of any Lender or applicable Lending Installation), or changes the basis of taxation of payments to any Lender in respect of its Loans or other amounts due it hereunder, 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 loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Lender,

then, within 15 days of demand by such Lender, the Borrower shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender determines is attributable to making, funding and maintaining its Loans and its Commitment.

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 obligation 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 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 if the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to a Type of Advance does not accurately reflect the cost of making or maintaining such Advance, then the Agent shall suspend the availability of the affected Type of Advance and require any Eurodollar Advances of the affected Type to be repaid.

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 the Eurodollar Advance.

3.5. Lender Statements; Survival of Indemnity. To the extent reasonably possible, 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 and 3.2 or to avoid the unavailability of a Type of Advance under Section 3.3, so long as such designation is not disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender as to the amount due, if any, under Sections 3.1, 3.2 or 3.4. 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 Base 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 shall be payable on demand after receipt by the Borrower of the written statement. The obligations of the Borrower under Sections 3.1, 3.2 and 3.4 shall survive payment of the Obligations and termination of this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date on which (a) the Borrower has paid to the Agent, for the account of the Lenders, the up-front fees previously agreed to between the Borrower and the Lenders, (b) the Borrower has paid all fees, costs and expenses due and payable pursuant to Sections 9.7 and 10.12 (to the extent then billed), (c) the Borrower has paid all principal, interest and fees outstanding under the Prior Agreement and (d) the Borrower has furnished to the Agent with sufficient copies for the Lenders:

- (i) Copies of the articles of incorporation of the Borrower, together with all amendments, and a certificate of good standing, both certified by the appropriate governmental officer in its jurisdiction of incorporation.
- (ii) Copies, certified by the Secretary or Assistant Secretary of the Borrower, of its by-laws and of its Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Lender) authorizing the execution of the Loan Documents.
- (iii) An incumbency certificate, executed by the Secretary or Assistant Secretary of the Borrower, which shall identify by name and title and bear the signature of the officers of the Borrower authorized to sign the Loan Documents and to make borrowings hereunder, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower.
- (iv) Copies, certified by the Secretary of Parent, of the articles of incorporation of the Parent, together with all amendments, and a certificate of good standing, certified by the appropriate governmental officer in its jurisdiction of incorporation.
- (v) Copies, certified by the Secretary or Assistant Secretary of the Parent, of its by-laws, and of its Board of Directors' resolutions (to the extent required by law or the Parent's constituent documents), and resolutions of other bodies, if any are deemed necessary by counsel for any Lender, authorizing the delegation of authority sufficient for the execution of the Support Agreement.
- (vi) An incumbency certificate, executed by the Secretary or Assistant Secretary of the Parent, which shall identify by name and title and bear the signature of the officers of the Parent authorized to sign the Support Agreement, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Parent.

- (vii) A certificate, signed by the President, or Vice President and Chief Financial Officer of the Borrower, stating that on the Restatement Date no Default or Unmatured Default has occurred and is continuing.
- (viii) Written opinions of counsel to the Borrower and the Parent, addressed to the Lenders in substantially the forms of Exhibits "D-1" and "D-2" hereto, respectively.
- (ix) Notes payable to the order of each of the Lenders.
- (x) The Support Agreement.
- (xi) A Confirmation of Pledge Agreement in substantially the form of Exhibit C-2.
- (xii) The Business Plan, together with detailed projections in form and substance satisfactory to the Lenders.
- (xiii) Written money transfer instructions, in substantially the form of Exhibit "G" hereto, addressed to the Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Agent may have reasonably requested.
- (xiv) The insurance certificate described in Section 5.17.
- (xv) 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), and Bank One shall not be required to issue any Letter of Credit, unless on the applicable Borrowing Date or Issuance 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 or Issuance Date, as the case may be, 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 be true and correct on and as of such earlier date.
- (iii) All legal matters incident to the making of such Advance or the issuance of such Letter of Credit shall be satisfactory to the Lenders and their counsel.

Each Borrowing Notice with respect to each such Advance and each request by the Borrower for the issuance of a Letter of Credit shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit "E" hereto as a condition to making an Advance or the issuance of a Letter of Credit.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

5.1. Corporate Existence and Standing. Each of the Borrower and its Subsidiaries is a corporation or limited liability company duly incorporated or organized, validly existing and 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, provided that a Subsidiary shall not be required to comply with this Section 5.1 so long as such noncompliance will not, at any time, result in a Material Adverse Effect.

5.2. Authorization and Validity. The Borrower has the corporate 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 any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or any of its Subsidiaries or the Borrower's or any Subsidiary's articles of incorporation or by-laws or the provisions of any indenture, instrument or agreement to which the Borrower or any of its Subsidiaries 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 the creation or imposition of any Lien in, of or on the Property of the Borrower or a Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

5.4. Financial Statements. The December 31, 1999 consolidated financial statements of the Borrower and its Subsidiaries heretofore delivered to the Lenders were prepared in accordance with Agreement Accounting Principles 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.

5.5. Material Adverse Change. Since December 31, 1999, 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 Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7. Litigation and Contingent Obligations. 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. Other than any liability incident to such litigation, arbitration or proceedings, the Borrower as of the date of this Agreement has no material Contingent Obligations not disclosed in Schedule "2" hereto. As of the date of each Advance and the issuance of each Letter of Credit, the Borrower has no Contingent Obligations other than those allowed under Section 6.11.

5.8. Subsidiaries. Schedule "1" hereto contains an accurate list of all of the presently existing Subsidiaries of the Borrower, setting forth their respective jurisdictions of incorporation and the percentage of their respective capital stock owned by the Borrower or other Subsidiaries. All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and non-assessable.

5.9. ERISA. The Unfunded Liabilities of all Single Employer Plans do not in the aggregate exceed \$100,000. Neither the Borrower nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in excess of \$100,000 in the aggregate. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Borrower nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan; provided that the Borrower and its Subsidiaries may withdraw from, or otherwise terminate their respective participation in, Parent's Plans, so long as such

withdrawal or other termination is done in compliance with all applicable laws and regulations and does not otherwise give rise to a Default.

5.10. Accuracy of Information. No information, exhibit or report furnished by the Borrower or any of its Subsidiaries to the 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.

5.11. Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.12. 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 could reasonably be expected 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 or any agreement or instrument evidencing or governing Indebtedness, which default could reasonably be expected to have a Material Adverse Effect.

5.13. 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, the failure to comply with which could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations or the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

5.14. Ownership of Properties. Except as set forth on Schedule "2" hereto, on the date of this Agreement, the Borrower and its Subsidiaries will have good title, free of all Liens other than those permitted by Section 6.18, to all of the Property and assets reflected in the financial statements as owned by it.

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

5.16. Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries are "electric utility companies" or "holding companies" within the meaning of the

Public Utility Holding Company Act of 1935, as amended (the "Act"). The Parent is an "electric utility company" within the meaning of the Act and is not a "holding company" within the meaning of the Act.

5.17. Insurance. The certificate signed by the President or Chief Financial Officer of the Borrower, that attests to the existence and adequacy of, and summarizes, the property and casualty insurance program carried by the Borrower and that has been furnished by the Borrower to the Agent and the Lenders, is complete and accurate. This summary includes the insurer's or insurers' name(s), policy number(s), expiration date(s), amount(s) of coverage, type(s) of coverage, exclusion(s), and deductibles. This summary also includes similar information, and describes any reserves, relating to any self-insurance program that is in effect.

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 (except for qualifications relating to changes in accounting principles or practices reflecting changes in generally accepted principles of accounting and required or approved by the Borrower's independent certified public accountants) audit report certified by independent certified public accountants, acceptable to the Lenders, prepared in accordance with generally accepted accounting principles on a consolidated and consolidating basis (consolidating statements need not be certified by such accountants) for itself and the Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by (a) any management letter prepared by said accountants, and (b) a certificate of said accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof.
- (ii) Within 45 days after the close of the first three quarterly periods of each of its fiscal years, for itself and the Subsidiaries, 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 President or the Vice President and Chief Financial Officer.

- (iii) As soon as available, but in any event within 60 days after the beginning of each fiscal year of the Borrower, a copy of the plan and forecast (including a projected consolidated and consolidating balance sheet, income statement and funds flow statement and updated projections) of the Borrower for such fiscal year.
- (iv) Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit "E" hereto signed by its President or the Vice President and Chief Financial Officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.
- (v) Within 270 days after the close of each fiscal year, a statement of the Unfunded Liabilities of each Single Employer Plan, certified as correct by an actuary enrolled under ERISA.
- (vi) As soon as possible and in any event within 10 days after the Borrower knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the President or the Vice President and Chief Financial Officer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto.
- (vii) As soon as possible and in any event within 10 days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Borrower, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Borrower or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.
- (viii) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission.
- (ix) Such other information (including non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2. Use of Proceeds. The Borrower will, and will cause each Subsidiary to, use the proceeds of the Advances for working capital and general corporate purposes, to make Permitted

Acquisitions, to make Investments consistent with the Business Plan, and to repay outstanding Advances. The Borrower will not, nor will it permit any Subsidiary to, use any identifiable portion of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U) or to make any other Acquisition.

6.3. 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.

6.4. Conduct of Business. The Borrower will, and will cause each 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 as contemplated in the Business Plan and to do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

6.5. Taxes. The Borrower will, and will cause each Subsidiary to, 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.

6.6. Insurance. The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

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

6.8. Maintenance of Properties. The Borrower will, and will cause each Subsidiary to, 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.

6.9. Inspection. The Borrower will, and will cause each Subsidiary to, permit the Lenders, by their respective representatives and agents, to inspect any of the Property, corporate books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be

advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate.

6.10. Dividends. The Borrower will not, nor will it permit any Subsidiary to, declare or pay any dividends on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock at any time outstanding, except that (i) any Subsidiary may declare and pay dividends to the Borrower or to a Wholly-Owned Subsidiary, (ii) any Subsidiary may repurchase its capital stock, and (iii) the Borrower may repurchase its capital stock from the Parent at such times as no Default or Unmatured Default has occurred and is continuing or would occur upon such repurchase.

6.11. Indebtedness. The Borrower will not, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

- (i) The Loans.
- (ii) Indebtedness existing on the date hereof and described in Schedule "2" hereto.
- (iii) Non-Recourse Debt of any Subsidiary.
- (iv) KLT Investments Debt not exceeding \$100,000,000 in the aggregate.
- (v) Contingent Obligations of the Borrower and its Subsidiaries incurred after the date of the Prior Agreement, provided that the Borrower is in compliance with Sections 6.19 and 6.20.
- (vi) Single-Project Subsidiary Debt.
- (vii) Rate Hedging obligations related to the Loans.
- (viii) Indebtedness of Strategic Energy, L.L.C. not exceeding \$5,000,000 in the aggregate.
- (ix) Indebtedness of KLT Gas Inc. not exceeding \$65,000,000 in the aggregate arranged by Bank One.

6.12. Merger. The Borrower will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person, except that (a) a Subsidiary may merge with the Borrower, (b) a Subsidiary may merge or consolidate with or into another Person, provided that the resulting or surviving entity is a Subsidiary and provided, further, that no Subsidiary, (other than KLT Gas Inc., or a Subsidiary thereof) may merge or consolidate with KLT Gas Inc. or any Subsidiary thereof, and (c) the Borrower may merge with an Affiliate, provided that (i) the Borrower is the surviving Person and (ii) the Parent owns, free and clear of all Liens or other

encumbrances, 100% of the outstanding shares of voting stock of the surviving Person on a fully diluted basis.

6.13. Sale of Assets. The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of its Property, to any other Person except for (i) sales of inventory in the ordinary course of business, (ii) at all times that no Default or Unmatured Default has occurred and is continuing, leases, sales or other dispositions of its Property that, together with all other Property of the Borrower and its Subsidiaries previously leased, sold or disposed of (other than inventory in the ordinary course of business) as permitted by this clause (ii) during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Substantial Portion of the Property of the Borrower and its Subsidiaries and (iii) sales of interests (whether equity interests, interests in assets, or otherwise) owned by a Subsidiary in power projects or other projects, provided that fair value is received therefor. Notwithstanding anything in this Section 6.13 to the contrary, nothing in this Section 6.13 shall prohibit any Subsidiary from selling, assigning, leasing, transferring or otherwise disposing of its Property or assets to another Subsidiary.

6.14. Sale of Accounts. The Borrower will not, nor will it permit any Subsidiary to, sell or otherwise dispose of any notes receivable or accounts receivable, with or without recourse.

6.15. Sale and Leaseback. The Borrower will not sell or transfer any of its Property in order to concurrently or subsequently lease as lessee such or similar Property.

6.16. Investments and Acquisitions. The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Investments (other than loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to make any Acquisition of any Person, except:

- (i) Short-term obligations of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof, or any money market mutual fund that invests substantially all of its assets in such short-term obligations.
- (ii) Commercial paper rated A-1 or better by Standard and Poor's Ratings Group or P-1 or better by Moody's Investors Service, Inc.
- (iii) Demand deposit accounts maintained in the ordinary course of business.
- (iv) Certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of \$100,000,000 and a long-term debt rating of A or better by Standard and Poor's Ratings Group or Moody's Investors Service, Inc.

(v) Existing Investments in Subsidiaries and other Investments in existence on the date hereof and described in Schedule "1" hereto.

(vi) Permitted Acquisitions.

(vii) Other Investments (including Investments in partnerships, limited partnerships (whether as a general partner or a limited partner), joint ventures, limited liability companies, and other entities) made as contemplated in and in accordance with the Business Plan.

6.17. KLT Investments. The Borrower will not permit KLT Investments to have assets other than its interests (whether direct or indirect) in low-income housing projects and such other assets as KLT Investments is required to hold in order to maintain its interests in such projects or to support KLT Investments Debt.

6.18. Liens. The Borrower will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, 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 generally accepted principles of accounting 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 in accordance with generally accepted principles of accounting shall have been set aside on its books.

(iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(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 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 the Subsidiaries.

(v) Liens existing on the date hereof and described in Schedule "2" hereto.

- (vi) Liens in favor of the Lenders granted pursuant to any Collateral Document.
- (vii) Judgment Liens which secure payment of legal obligations that would not otherwise constitute a Default under Section 7.9.
- (viii) Liens securing KLT Investments Debt or Non-Recourse Debt otherwise permitted under the terms of this Agreement.
- (ix) Liens on Property in existence at the time of acquisition of such Property by the Borrower or any Subsidiary.
- (x) 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 Subsidiary.
- (xi) Liens on assets of Strategic Energy, L.L.C. securing Indebtedness permitted by Section 6.11(viii).
- (xii) Liens on the property of Strategic Energy, L.L.C. securing contingent obligations on surety bonds provided that the incurrence of any such Lien, after giving effect thereto, would not cause a Default to occur under Section 6.23.
- (xiii) Liens on the assets of KLT Gas Inc. and its subsidiaries securing Indebtedness permitted by Section 6.11(ix).
- (xiv) Liens 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 the Borrower 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 such reserve as may be required by Agreement Accounting Principles shall have been made therefor.
- (xv) Liens under production sales agreements, division orders, operating agreements and other agreements customary in the oil and gas business for processing, producing 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.

6.19. Leverage Ratio. The Borrower will maintain at all times a ratio of Indebtedness for itself and its Subsidiaries on a consolidated basis (other than KLT Investments Debt and Non-Recourse Debt) to Net Worth not greater than 1.0 to 1.0. For purposes of calculating this ratio, Contingent Obligations shall be discounted by 100%.

6.20. Net Worth. The Borrower will maintain a Net Worth of not less than \$75,000,000 at all times.

6.21. Affiliates. The Borrower will not, and will not permit any Subsidiary 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.

6.22. Amendments to Agreements. The Borrower will not, and will not permit the Parent to, amend or terminate the Support Agreement.

6.23. Adjusted Leverage Ratio. The Borrower will maintain at all times a ratio of Indebtedness for itself and its Subsidiaries on a consolidated basis (other than KLT Investments Debt and Non-Recourse Debt) to Net Worth not greater than 1.5 to 1.0. For purposes of calculating this ratio, Contingent Obligations shall be discounted by 75%.

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 or any of its Subsidiaries to the Lenders or the 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 Note or of the reimbursement obligations under any Letter of Credit when due, or nonpayment of interest on any Note or on any reimbursement obligation under any Letter of Credit or of any facility 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 6.2, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16, 6.17, 6.18, 6.19, 6.20, 6.21, 6.22 or 6.23.

7.4. The breach by the Borrower (other than a breach which constitutes a Default under Section 7.1, 7.2 or 7.3) of any of the terms or provisions of this Agreement which is not remedied within five days after written notice from the Agent or any Lender.

7.5. Failure of the Borrower or any of its Subsidiaries or the Parent to pay any Indebtedness when due; or the default by the Borrower or any of its Subsidiaries or the Parent in the performance of any term, provision or condition contained in any agreement under which any Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any Indebtedness of the Borrower or any of its Subsidiaries or the Parent shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any of its Subsidiaries or the Parent 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 Subsidiaries or the Parent 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 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 or the Parent, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries or the Parent or any Substantial Portion of its respective Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Borrower or any of its Subsidiaries or the Parent 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 (each a "Condemnation"), 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 Condemnation occurs, constitutes a Substantial Portion.

7.9. The Borrower or any of its Subsidiaries shall fail within 30 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$100,000, which is not stayed on appeal or otherwise being appropriately contested in good faith.

7.10. The Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate \$100,000 or any Reportable Event shall occur in connection with any Plan.

7.11. The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds \$100,000.

7.12. The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding \$100,000.

7.13. The Borrower or any of its Subsidiaries shall be the subject of any proceeding or investigation pertaining to the release by the Borrower or any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, or any violation of any federal, state or local environmental, health or safety law or regulation, which, in either case, could reasonably be expected to have a Material Adverse Effect.

7.14. Any Change in Control shall occur.

7.15. The occurrence of any "default", as defined in any Transaction Document (other than this Agreement or the Notes) or the breach of any of the terms or provisions of any Transaction Document (other than this Agreement or the Notes) which default or breach continues beyond any period of grace therein provided.

7.16. Any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any collateral purported to be covered thereby, except as permitted by the terms of any Collateral Document, or any Collateral Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document, or the Borrower shall fail to comply with any of the terms or provisions of any Collateral Document.

7.17. The Support Agreement shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of the Support Agreement, or the Parent shall fail to comply with any of the terms or provisions of the Support Agreement, or the Parent denies that it has any further liability under the Support Agreement, or gives notice to such effect.

7.18. Twenty-five percent (25%) or more of the value of any class of equity interests in the Borrower shall be held by "benefit plan investors" within the meaning of 29 C.F.R. ?2510.3-101(f).

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 Agent or any Lender. If any other Default occurs, 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 14 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 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 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 Transaction 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 each Lender affected thereby:

- (i) Extend the maturity of any Loan, any Note 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 increase the amount of the Commitment of any Lender hereunder, or permit the Borrower to assign its rights under this Agreement.
- (iv) Amend this Section 8.2.

- (v) Release or amend the Support Agreement except as provided therein, or, except as provided in the Collateral Documents, release all or any substantial portion of the Collateral.

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent. The 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 Agent to exercise any right under the Transaction 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 Transaction 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 Transaction Documents or by law afforded shall be cumulative and all shall be available to the 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 delivery of the Notes, the making of the Loans and the issuance of the Letters of Credit 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. Taxes. Any taxes (excluding federal income taxes on the overall net income of any Lender and withholding taxes contemplated under Section 2.18) or other similar assessments or charges made by any governmental or revenue authority in respect of the Transaction Documents shall be paid by the Borrower, together with interest and penalties, if any, other than interest and penalties to the extent the accrual of which is attributable to the gross negligence or willful misconduct of the Lenders.

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

9.5. Entire Agreement. The Transaction Documents embody the entire agreement and understanding among the Borrower, the Agent and the Lenders and supersede all prior agreements and understandings among the Borrower, the Agent and the Lenders relating to the subject matter thereof.

9.6. 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 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.

9.7. Expenses; Indemnification. The Borrower shall reimburse the Agent for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, and administration of the Transaction Documents. The Borrower also agrees to reimburse the Agent and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent and the Lenders, which attorneys may be employees of the Agent or the Lenders) paid or incurred by the Agent or any Lender in connection with the collection and enforcement of the Transaction Documents. The Borrower further agrees to indemnify the Agent and each Lender, its directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent 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 Transaction 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 such obligations arise from the gross negligence or willful misconduct of the Lenders. The obligations of the Borrower under this Section shall survive the termination of this Agreement.

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

9.9. 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 generally accepted accounting principles, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Borrower and all its Subsidiaries, including those Subsidiaries, if any, which are unconsolidated on the Borrower's audited financial statements.

9.10. Severability of Provisions. Any provision in any Transaction 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 Transaction Documents are declared to be severable.

9.11. Nonliability of Lenders. The relationship between the Borrower and the Lenders and the Agent shall be solely that of borrower and lender. Neither the Agent nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agent 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.

9.12. CHOICE OF LAW. THE TRANSACTION DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) 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.

9.13. 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 IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENTS 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 ANY TRANSACTION DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

9.14. 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 TRANSACTION DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

9.15. Confidentiality. Each Lender agrees to hold any confidential information which it may receive from the Borrower pursuant to this Agreement in confidence, except for disclosure (i) 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; each of whom shall be informed of the confidential nature of the information and shall agree, to the extent the disclosing Lender may compel such agreement, to maintain such confidentiality in accordance with this Section 9.15.

9.16. 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.

9.17. Effect on Prior Agreement; Ratification. The Borrower, the Agent, and the Lenders agree that, on the Restatement Date, all indebtedness, liabilities and obligations of the Borrower to the Lenders outstanding under the Prior Agreement and the promissory notes delivered under the Prior Agreement shall, to the extent not paid on such date, be deemed to be Obligations outstanding under this Agreement and under the Notes. Each Lender party to the Prior Agreement shall, promptly after receipt of its Note under this Agreement, return to the Borrower the promissory note received by it in connection with the Prior Agreement. By its execution of this Agreement and in consideration of the undertakings set forth herein and other good and valuable consideration, the receipt of which is hereby acknowledged, each Lender that is not a Prior Lender (each such Lender a "New Lender") hereby assumes and covenants and agrees fully, completely and timely to perform, comply with, and discharge each and all of the obligations, duties, and liabilities of a Lender under this Agreement and shall as of the Restatement Date be deemed a Lender for all purposes under this Agreement. As of the Restatement Date, each New Lender shall purchase such portions of the outstanding Advances from the Prior Lenders so as to allocate to each Lender its ratable share of outstanding Advances after giving effect to the restatement contemplated hereunder; provided that (a) no Prior Lender shall be required to terminate a Eurodollar Loan prior to its maturity date and (b) no New Lender shall be required to purchase a share of any Eurodollar Loan bearing interest at a rate below the current market rate for that Type of Advance. The Borrower, the Agent, and the Lenders agree that (i) all terms and conditions of the Prior Agreement which are amended and restated by this Agreement shall remain effective until such amendment and restatement becomes effective under this Agreement, and (ii) the representations, warranties and covenants set forth herein shall become effective concurrently with the occurrence of the Restatement Date, and (iii) as of the Restatement Date, each reference in any Collateral Document to the "Agreement" or "Credit Agreement" shall be deemed to be a reference to the Prior Agreement as amended and restated in the form of this Agreement.

ARTICLE X

THE AGENT

10.1. Appointment. Bank One, NA is hereby appointed Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the agent of such Lender. The Agent agrees to act as such upon the express conditions contained in this Article X. The Agent shall not have a fiduciary relationship in respect of the Borrower or any Lender by reason of this Agreement.

10.2. Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The 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 Agent.

10.3. General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders 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 for its or their own gross negligence or willful misconduct.

10.4. No Responsibility for Loans, Recitals, etc. Neither the 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 to the Agent; (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the value, sufficiency, creation, perfection or priority of any interest in any collateral security. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Agent at such time, but is voluntarily furnished by the Borrower to the Agent (either in its capacity as Agent or in its individual capacity).

10.5. Action on Instructions of Lenders. The 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 requisite number of Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all holders of Notes. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Agents and Counsel. The Agent may execute any of its duties as 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 Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, Letter of Credit Application, 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 Agent, which counsel may be employees of the Agent.

10.8. Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (i) for any amounts not reimbursed by the Borrower for which the Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents 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 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, or the enforcement of any of the terms thereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9. Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent 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.

10.10. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent 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 Agent 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.

10.11. Successor Agent. The 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 Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. If the Agent has resigned and no successor Agent has been appointed, the Lenders may perform all the duties of the 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 Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Article X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

10.12. Agent's Fee. The Borrower agrees to pay to the Agent, for its own account, the fees agreed to by the Borrower and the Agent pursuant to that certain letter agreement dated May 3, 2000, or as otherwise agreed from time to time.

10.13 Other Agents. None of the Lenders identified on the cover page or the signature pages of this Agreement or otherwise herein, or in any amendment hereof or other document related hereto, as being the "Syndication Agent" or the "Documentation Agent" (collectively the "Other Agents") shall have any right, power, obligation, liability, responsibility or duty under this Agreement in such capacity other than those applicable to all Lenders. Each Lender acknowledges that it has not relied, and will not rely, on any of the Other Agents in deciding to enter into this Agreement or in taking or refraining from taking any action hereunder or pursuant hereto.

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 or Unmatured 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 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 Sections 3.1, 3.2 or 3.4) 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 Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank; provided, however, that no such assignment shall release the transferor Lender from its obligations hereunder. The Agent may treat the payee of any Note as the owner thereof for all purposes hereof unless and until such payee 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 Agent. Any assignee or transferee of a Note agrees by acceptance thereof 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 holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

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 holder of any such Note 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 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, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Commitment, releases any guarantor of any such Loan or releases any substantial portion of collateral, if any, securing any such Loan.

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, provided that any such assignment shall be in a minimum amount of the lesser of \$5,000,000 or the assigning Lender's Commitment. Such assignment shall be

substantially in the form of Exhibit "F" hereto or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the 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.

12.3.2. Effect; Effective Date. Upon (i) delivery to the Agent of a notice of assignment, substantially in the form attached as Exhibit "I" to Exhibit "F" hereto (a "Notice of Assignment"), together with any consents required by Section 12.3.1, and (ii) payment of a \$4,000 fee to the 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 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 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 Agent and the Borrower shall make appropriate arrangements so that 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 Commitment, 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 9.15 of this Agreement.

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 2.18.

ARTICLE XIII

NOTICES

13.1. Giving Notice. Except as otherwise permitted by Section 2.13 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes).

13.2. Change of Address. The Borrower, the 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 Agent and the Lenders and each party has notified the Agent by telex or telephone, that it has taken such action.

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

KLT INC.

By: /s/Frank R. Clark
Frank R. Clark
Vice President, Chief Financial
Officer and Treasurer

10740 Nall Street, Suite 230
Overland Park, Kansas 66211

Attention: Frank R. Clark
Vice President, Chief
Financial Officer and
Treasurer

Telecopier: (913) 967-4340

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BANK ONE, NA, Individually and as Agent

By: /s/Mary Lu D. Cramer
Mary Lu D. Cramer
Authorized Agent

1 Bank One Plaza
Mail Suite 0363
Chicago, Illinois 60670

Attention: Electric, Gas and
Telecommunications
Division

Telecopier: (312) 732-3055

ABN AMRO BANK N.V.

By: /s/Kris A. Grosshans
Print Name: Kris A. Grosshans
Title: Group Vice President

By: /s/David B. Bryant
Print Name: David B. Bryant
Title: Senior Vice President &
Managing Director

135 S. LaSalle Street, Room 711
Chicago, Illinois 60674-9135

Attention: Mark Lasek
Vice President and Director

Telecopier: (312) 904-6217

S-2

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH,
as Documentation Agent

By: /s/Duncan M. Robertson
Print Name: Duncan M. Robertson
Title: Director

By: Walter T. Duffy III
Print Name: Walter T. Duffy III
Title: Associate Director

1211 Avenue of the Americas
New York, New York 10036

Attention: Loan Administration

Telecopier: (212) 302-7946

S-3

COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK AND GRAND CAYMAN
BRANCHES, as Syndication Agent

By: /s/Paul Karlin
Print Name: Paul Karlin
Title: Asst. Vice President

By: /s/Carol M. Otten
Print Name: Carol M. Otten
Title: Asst. Vice President

20 South Clark Street
Suite 2700
Chicago, Illinois 60603

Attention: Paul Karlin

Telecopier: (312) 236-2827

S-4

THE DAI-ICHI KANGYO BANK, LTD.,
CHICAGO BRANCH

By: /s/Nobuyasu Fukatsu
Print Name: Nobuyasu Fukatsu
Title: General Manager

10 S. Wacker Drive, Suite 2600
Chicago, Illinois 60606

Attention: Richard Cummings

Telecopier: (312) 876-2011

S-5

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	6-MOS	Dec-31-2000	Jun-30-2000	PER-BOOK
	2,416,089			
	384,815			
	197,903			
	220,984			
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	62			
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	57,212			
	6,471			
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	36,368			
			57,388	
	824			
56,564				
	51,353			
	28,739			
	143,985			
				0.91
				0.91