

Exhibit No.:
Issues: Organization Design Process
Organizational Functions of HoldingCo
HoldingCo's Relationship with KLT Inc.
Merger Agreement
Witness: Jeanie S. Latz
Type of Exhibit: Direct Testimony
Sponsoring Party: KCPL
Case No.: EM-2000-753
Date Testimony Prepared: September 14, 2000

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Service Commission

Direct Testimony
of
Jeanie S. Latz
On behalf of
Kansas City Power & Light Company

**DIRECT TESTIMONY OF
JEANIE S. LATZ**

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**DIRECT TESTIMONY
OF
JEANIE S. LATZ
Senior Vice President -- Corporate Services and Corporate Secretary
Kansas City Power & Light Company**

Case No. EM-2000-753

1 Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

2 A. My name is Jeanie S. Latz. I serve as Senior Vice President -- Corporate
3 Services, and Corporate Secretary for Kansas City Power & Light Company. My
4 business address is 1201 Walnut Street, Kansas City, Missouri 64106.

5 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

6 A. I am testifying on behalf of KCPL.

7 Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE AND
8 EDUCATIONAL BACKGROUND.

9 A. I am a senior executive with 20 years of experience in the electric utility industry.
10 In my current position, I oversee the law, human resources, environmental,
11 auditing, governmental affairs and corporate compliance departments. After
12 earning my Doctor of Jurisprudence at the University of Missouri and serving as a
13 Staff Attorney for the Missouri Court of Appeals, I joined KCPL in 1980 as a
14 Staff Attorney. In 1991, I became Corporate Secretary; in 1994, I was promoted
15 to Vice President-Law. I was promoted to my current position in 1996.

1 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
2 PROCEEDING?

3 A. I sponsor Sections II, III, and VI, and their accompanying schedules, of the
4 Organizational Report that is attached to the Direct Testimony of A. Drue
5 Jennings. I also sponsor the Merger Agreement that is attached to my testimony.

6 Q. PLEASE DESCRIBE THE INTERNAL PROCESSES KCPL USED TO
7 PREPARE ITS PROPOSED REORGANIZATION.

8 A. In 1999, KCPL commenced an internal study to determine whether transforming
9 KCPL's current structure as a vertically integrated electric utility into separate
10 companies would increase the company's value for its shareholders and increase
11 the company's value to its customers by increasing the number of products and
12 services, and creating the potential for lower prices. To accomplish these tasks,
13 KCPL formed three executive committees to examine the feasibility and value of
14 alternative business designs for the following areas:

- 15 1. generation/transmission,
- 16 2. retail services/distribution, and
- 17 3. shared services.

18 After analyzing the issues associated with transforming the company from an
19 vertically integrated electric utility into a holding company and three separate
20 companies, —a generation company, a transmission/distribution company, and
21 KLT Inc., KCPL concluded that the benefits of a restructured company would
22 outweigh the benefits provided by KCPL's current corporate structure. In
23 January, 2000, KCPL announced its intent to restructure the company.

1 Q. DID KCPL'S EVALUATIVE PROCESS END AFTER IT ANNOUNCED ITS
2 INTENTION TO REORGANIZE THE COMPANY?

3 A. On the contrary, shortly after it announced its intention to restructure, KCPL
4 intensified its evaluative process by forming restructuring teams led by KCPL's
5 officers. KCPL established the following restructuring groups:

- 6 1. Corporate Group;
- 7 2. Regulatory Group;
- 8 3. Financial Group;
- 9 4. Refinancing Group;
- 10 5. Infrastructure & Services Group;
- 11 6. Power Group;
- 12 7. Delivery/Customer Services; and
- 13 8. Name Group.

14 A KCPL officer who possessed the requisite subject matter expertise led each
15 restructuring group. When needed, the restructuring teams were augmented by
16 consultants who are nationally recognized experts in their fields. The
17 restructuring teams were charged with drafting and implementing the company's
18 restructuring plan.

19 Q. WHY WERE RESTRUCTURING TEAMS ESTABLISHED IN 2000 NEEDED
20 AFTER THE 1999 STUDY OF KCPL'S PROPOSED REORGANIZATION?

21 A. As stated earlier, the purpose of the 1999 investigation was to determine whether
22 KCPL's shareholders and customers would benefit from transforming the
23 company from a vertically integrated electric utility into a holding company and
24 three separate companies. After this question was answered in the affirmative,
25 KCPL established the restructuring teams to identify all of the relevant issues

1 related to the reorganization, prepare a reorganization plan, and efficiently
2 implement the plan.

3 Q. PLEASE PROVIDE AN EXAMPLE OF HOW THE RESTRUCTURING
4 TEAMS OPERATE.

5 A. The proposed reorganization plan implicates a plethora of tax, legal and
6 accounting issues. One of the primary tasks of the Corporate Group is to identify
7 the relevant issues and ensure that KCPL's reorganization plan takes into account
8 these issues. The other seven restructuring teams serve a similar function. For a
9 full description of each team's function, please review Section II of the
10 Organizational Report.

11 Q. DID YOU SERVE ON ANY OF THE RESTRUCTURING TEAMS?

12 A. I serve as chair of the Corporate Group. In addition, I am a member of the
13 Refinancing Group, and Infrastructure & Services Group.

14 Q. PLEASE DESCRIBE KCPL'S PROPOSED HOLDING COMPANY DESIGN.

15 A. Once approved, the reconstituted KCPL will consist of a holding company, a
16 generation company, a transmission/distribution utility company, and KLT Inc.
17 For clarity, I will refer to the holding company as HoldingCo, the generation
18 company as KCPL Power, and the transmission/distribution utility company as
19 KCPL Delivery. Initially, HoldingCo will own 100% of KCPL Power, KCPL
20 Delivery, and KLT Inc. HoldingCo will consist of two major functional groups,
21 Corporate Services and Shared Services. In addition, an Advisory Committee will
22 operate out of HoldingCo.

1 Q. WHAT ARE HOLDINGCO'S PRIMARY FUNCTIONS?

2 A. HoldingCo will provide oversight over each subsidiary. In addition, HoldingCo
3 will provide certain services to each subsidiary. The Corporate Services unit of
4 HoldingCo will provide services that are required for HoldingCo to meet its legal,
5 fiduciary, and financial obligations as a publicly-traded corporation. These
6 services will include, but are not limited to, audit services, research &
7 development, strategic planning, corporate security, investor relations, corporate
8 communications, corporate accounting, tax services, government affairs, and
9 treasury functions. The services provided by the Corporate Services unit will be
10 core corporate functions. It is important to note that due to the difficulty involved
11 in disaggregating the charges for Corporate Services, HoldingCo will be unable to
12 assign or directly bill a specific subsidiary for most of the services provided by
13 the Corporate Services unit and therefore costs will be allocated.

14 Initially, the Shared Services unit will provide a whole host of services to the
15 subsidiaries, including legal, employee compensation, facility management,
16 payroll, contract management, and insurance. Unlike the services provided by the
17 Corporate Services unit, the services provided by the Shared Services unit will not
18 be core corporate functions. Consequently, the subsidiaries eventually will be
19 permitted to seek competitive bids for the services provided by the Shared
20 Services unit to ensure that they receive services that are of the highest quality, at
21 a reasonable price.

1 Q. WILL HOLDINGCO CHARGE ITS CORPORATE SUBSIDIARIES A FEE
2 FOR PROVIDING THESE SERVICES?

3 A. HoldingCo and each subsidiary will negotiate service level agreements that define
4 service levels and costs. For Shared Services, HoldingCo will assign or bill each
5 subsidiary directly. The charge will be based on the type and amount of services
6 used. In those instances where it is not possible to direct bill a subsidiary,
7 HoldingCo will use a traditional cost allocation methodology to determine the
8 appropriate amount to charge a subsidiary.

9 Q. HOW WILL HOLDINGCO ENSURE THAT IN OUTSOURCING SERVICES
10 THE SUBSIDIARIES DO NOT WORK AT CROSS PURPOSES BY
11 OBTAINING SHARED SERVICES FROM NON-AFFILIATED ENTITIES?

12 A. An Advisory Committee will ensure that the subsidiaries and HoldingCo are
13 working in unison to create the greatest amount of value in the aggregate for
14 HoldingCo's shareholders, and to minimize costs associated with Shared Services.
15 Accordingly, requests by subsidiaries to outsource services provided by the
16 Shared Services unit will be scrutinized by the Advisory Committee to ensure that
17 no subsidiary takes any action that adversely effects HoldingCo or an affiliated
18 company.

19 Q. PLEASE BRIEFLY DESCRIBE THE ORGANIZATIONAL STRUCTURE OF
20 HOLDINGCO AND ITS SUBSIDIARIES.

21 A. The management team of HoldingCo will include a Chief Executive Officer
22 and/or President. HoldingCo will be the sole shareholder of each subsidiary.
23 KCPL Power, KCPL Delivery and KLT Inc. will each have their own separate

1 executive team that will be responsible for, in consultation with HoldingCo's
2 representatives, developing corporate strategy, and implementing its business
3 plan. The proposed organizational structure promotes autonomous
4 decisionmaking at each subsidiary. The organizational structure of HoldingCo
5 and its subsidiaries recognizes the diverging mindsets and business practices of
6 regulated and competitive environments. With respect to the wholesale market,
7 KCPL is already operating in a competitive environment, an environment that
8 requires speed and flexibility. KCPL's current organizational structure, however,
9 is set up to operate in a regulated environment. The proposed organizational
10 structure will enable the subsidiaries to operate efficiently in their respective
11 business environments.

12 Q. WHAT IS KLT INC.'S RELATIONSHIP TO KCPL AND WILL IT HAVE A
13 RELATION WITH HOLDINGCO?

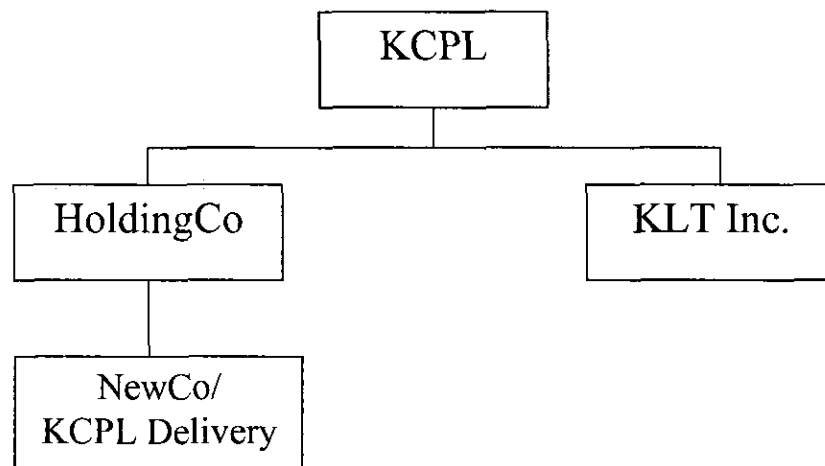
14 A. Currently, KLT Inc. is a wholly-owned subsidiary of KCPL. KLT Inc. is an
15 unregulated company that is involved in numerous business ventures. Through
16 several subsidiaries and business ventures, KLT Inc. has interests in
17 telecommunications, real estate, energy services, and e-commerce. Upon the
18 effective date of the Merger Agreement, KLT Inc. will become a wholly-owned
19 subsidiary of HoldingCo. Just like its corporate affiliates, KLT Inc. may elect to
20 use the services provided by the Shared Services unit.

1 Q. PLEASE DISCUSS THE SIGNIFICANCE OF SCHEDULE JSL-1 WHICH IS
2 ATTACHED TO YOUR TESTIMONY.

3 A. One step in the transactional process of reorganization is a merger involving
4 KCPL, HoldingCo, and NewCo. Schedule JSL-1 is the form of Merger
5 Agreement that KCPL will use to effect the reorganization.

6 Q. DESCRIBE THE RELATIONSHIP BETWEEN THE PROPOSED
7 SIGNATORIES TO THE MERGER AGREEMENT AS IT WILL EXIST PRIOR
8 TO THE EFFECTIVE DATE OF THE MERGER.

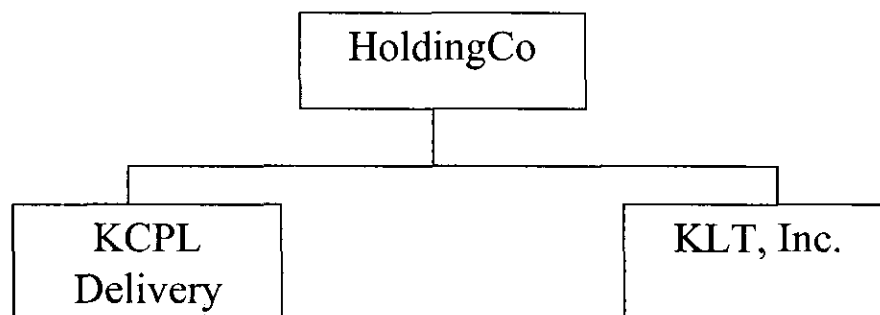
9 A. Prior to the effective date of the merger, NewCo will be HoldingCo's wholly-
10 owned subsidiary. HoldingCo will be KCPL's wholly-owned subsidiary. The
11 following diagram illustrates the relationship of the companies.



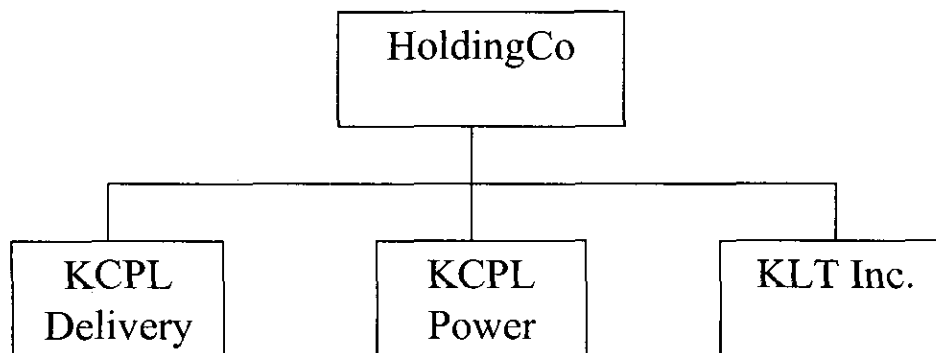
13 Q. PLEASE EXPLAIN HOW THE MERGER AGREEMENT WILL TRANSFORM
14 KCPL FROM A VERTICALLY INTEGRATED ELECTRIC UTILITY INTO
15 SEPARATE COMPANIES

16 A. Under the Merger Agreement, NewCo, KCPL's indirect wholly-owned
17 subsidiary, will merge with KCPL. As a consequence of this merger, KCPL will

1 survive the merger and become a wholly-owned subsidiary of HoldingCo, an
2 entity that was formerly NewCo's parent corporation. It should be noted that the
3 proposed merged entity has been referred to as "KCPL Delivery" throughout
4 KCPL's Direct Testimony. If the merger is completed, KCPL will dividend its
5 stock of KLT Inc. to HoldingCo, thereby making KLT Inc. a wholly-owned
6 subsidiary of HoldingCo. In addition, each outstanding share of KCPL common
7 stock will be automatically converted into the right to receive one share of
8 HoldingCo common stock. Similarly, each share of KCPL's various series of
9 preferred stock will be converted into one share of an identical series of
10 HoldingCo preferred stock. At this point, HoldingCo will be a publicly-held
11 corporation that owns 100% of KCPL Delivery, the merged entity, and KLT Inc.



19 To complete the reorganization, KCPL Delivery will form a new subsidiary,
20 KCPL Power, and then dividend KCPL Power's stock to HoldingCo. At this final
21 stage, the reconstituted KCPL will consist of a holding company and three
22 corporate subsidiaries.



8 Q. IS THE PROPOSED MERGER SUBJECT TO SATISFACTION OR WAIVER
9 OF ANY CONDITIONS?

10 A. Yes. Consummation of the proposed merger is subject to satisfaction or waiver of
11 the following conditions:

- The New York Stock Exchange must permit the common and preferred stock issued during the merger for HoldingCo to be listed on its exchange.
- KCPL must receive certain tax opinions from its outside legal counsel.
- A determination that there is no order, statute, rule, regulation, executive order, injunction, decree, judgment or restraining order that prohibits or makes illegal the consummation of the merger.
- KCPL must cause HoldingCo's Articles of incorporation to be amended to increase its authorized capital stock.
- The signatories must obtain all necessary regulatory approvals in a satisfactory form and substance.

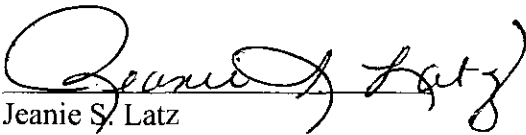
12 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

13 A. Yes.

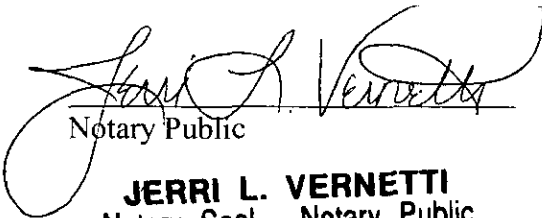
AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

Jeanie S. Latz, being first duly sworn, on her oath states: that she has participated in the preparation of the foregoing written testimony, in question and answer form, to be presented to the Pubic Service Commission of the State of Missouri; that the answers therein contained were given by her; that she has knowledge of the matters set forth in said answers; and that such answers are true to the best of her knowledge and belief.


Jeanie S. Latz

Subscribed and sworn to before my this 11th day of September, 2000.


Notary Public

JERRI L. VERNETTI
Notary Seal - Notary Public
STATE OF MISSOURI
Clinton County
My Commission Expires December 7, 2001

SCHEDULE JSL-1

AGREEMENT AND PLAN OF MERGER

AMONG

KANSAS CITY POWER & LIGHT COMPANY,

[HOLDCO]

AND

[NEWCO]

DATED AS OF []

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Merger Agreement"), dated as of [], is among Kansas City Power & Light Company, a Missouri corporation (the "Company"), [Holdco], a Missouri corporation ("Holdings") and a direct, wholly owned subsidiary of the Company, and [Newco], a Missouri corporation ("Newco") and a direct, wholly owned subsidiary of Holdings.

R E C I T A L S:

WHEREAS, the Company's authorized capital stock consists of (i) [] shares of common stock, no par value (the "Company Common Stock"), of which, as of the date hereof, [] shares are issued and outstanding and [no] shares were held in Company's treasury; (ii) [] shares of 3.80% cumulative preferred stock, par value \$100 per share (the "Company 3.80% Preferred"), of which [] shares are outstanding on the date hereof; (iii) [] shares of 4% cumulative preferred stock, par value \$100 per share (the "Company 4% Preferred"), of which [] shares are outstanding on the date hereof; (iv) [] shares of 4.50% cumulative preferred stock, par value \$100 per share (the "Company 4.50% Preferred"), of which [] shares are outstanding on the date hereof; (v) [] shares of 4.20% cumulative preferred stock, par value \$100 per share (the "Company 4.20% Preferred"), of which [] shares are outstanding on the date hereof; and (vi) [] shares of 4.35% cumulative preferred stock, par value \$100 per share (the "Company 4.35% Preferred" and, together with the Company 3.80% Preferred, the Company 4% Preferred, the Company 4.50% Preferred and the Company 4.20% Preferred, the "Company Preferred"), of which [] shares are outstanding on the date hereof; and

WHEREAS, as of the date hereof, Holdings' authorized capital stock consists of (i) [] shares of common stock, no par value (the "Holdings Common Stock"), of which, as of the date hereof, [1,000] shares are issued and outstanding and owned by the Company and no shares are held in treasury, and (ii) [] shares of 3.80% cumulative preferred stock, par value \$100 per share (the "Holdings 3.80% Preferred"), of which no shares are outstanding on the date hereof; (iii) [] shares of 4% cumulative preferred stock, par value \$100 per share (the "Holdings 4% Preferred"), of which no shares are outstanding on the date hereof; (iv) [] shares of 4.50% cumulative preferred stock, par value \$100 per share (the "Holdings 4.50% Preferred"), of which no shares are outstanding on the date hereof; (v) [] shares of 4.20% cumulative preferred stock, par value \$100 per share (the "Holdings 4.20% Preferred"), of which no shares are outstanding on the date hereof; and (vi) [] shares of 4.35% cumulative preferred stock, par value \$100 per share (the "Holdings 4.35% Preferred" and, together with the Holdings 3.80% Preferred, the Holdings 4% Preferred, the Holdings 4.50% Preferred and the Holdings 4.20% Preferred, the "Holdings Preferred"), of which no shares are outstanding on the date hereof; and

WHEREAS, as of the date hereof, Newco has an authorized capital stock consisting of 1,000 shares of common stock, no par value (the "Newco Common Stock"), of which [1,000] shares are issued and outstanding on the date hereof and owned by Holdings; and

WHEREAS, the designations, rights and preferences, and the qualifications, limitations and restrictions thereof, of the Holdings Common Stock, the Holdings 3.80% Preferred, the Holdings 4% Preferred, the Holdings 4.50% Preferred, the Holdings 4.20% Preferred and the Holdings 4.35% Preferred, are the same as those of the Company Common Stock, the Company 3.80% Preferred, the Company 4% Preferred, the Company 4.50% Preferred, the Company 4.20% Preferred and the Company 4.35% Preferred, respectively; and

WHEREAS, the Articles of Incorporation of Holdings (the "Holdings Charter") and the By-laws of Holdings (the "Holdings By-laws") in effect immediately after the Effective Date (as hereinafter defined) will contain provisions identical to the Restated Articles of Consolidation of the Company (the "Company Charter") and By-laws of the Company (the "Company By-laws") in effect immediately before the Effective Date (other than with respect to matters excepted by Section 351.448.1(4) of the Missouri General and Business Corporation Law (the "MGBCL")); and

WHEREAS, the directors and officers of the Company immediately prior to the Merger (as hereinafter defined) will be the directors and officers of Holdings as of the Effective Date; and

WHEREAS, Holdings and Newco are newly formed corporations organized for the purpose of participating in the transactions herein contemplated; and

WHEREAS, the Company desires to create a new holding company structure by merging Newco with and into the Company, with the Company continuing as the surviving corporation of such merger, and each outstanding share (or any fraction thereof) of Company Common Stock, the Company 3.80% Preferred, the Company 4% Preferred, the Company 4.50% Preferred, the Company 4.20% Preferred and the Company 4.35% Preferred, being converted in such merger into a like number of shares of Holdings Common Stock, the Holdings 3.80% Preferred, the Holdings 4% Preferred, the Holdings 4.50% Preferred, the Holdings 4.20% Preferred and the Holdings 4.35% Preferred, respectively, all in accordance with the terms of this Merger Agreement (the "Merger"); and

WHEREAS, the Boards of Directors of Holdings and the Company have approved this Merger Agreement and the Merger upon the terms and subject to the conditions set forth in this Merger Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained in this Merger Agreement, and intending to be legally bound hereby, the Company, Holdings and Newco hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 THE MERGER. In accordance with Section 351.448 of the MGBCL and subject to and upon the terms and conditions of this Merger Agreement, Newco shall, at the Effective Date, be merged with and into the Company, the separate corporate existence of Newco shall cease and the Company shall continue as the surviving corporation of the Merger (the "Surviving Corporation").

SECTION 1.2 EFFECTIVE DATE. The parties shall file articles of merger with respect to the Merger (the "Articles of Merger"), executed in accordance with the relevant provisions of the MGBCL, and with this Merger Agreement attached thereto, with the Secretary of State of the State of Missouri, and shall make all other filings or recordings required under the MGBCL to effectuate the Merger. The Merger shall become effective upon the filing of the Articles of Merger with the Secretary of State of the State of Missouri (the date of such filing shall hereinafter be referred to as the "Effective Date").

SECTION 1.3 RESTATED ARTICLES OF INCORPORATION OF SURVIVING CORPORATION. From and after the Effective Date, the Company's Restated Articles of Incorporation, as in effect immediately prior to the Effective Date, shall be the Restated Articles of Incorporation of the Surviving Corporation, except with such changes as are permitted by Section 351.448.1(7) of the MGBCL (the "Surviving Corporation's Charter") until thereafter amended as provided by law; provided, however, that, from and after the Effective Date:

(a) Article Third thereof shall be amended so as to read in its entirety as follows:

"The amount of authorized capital stock of the Company is One Thousand (1,000) shares of Common Stock without par value.

(i) Dividends. Subject to the limitations in this ARTICLE THIRD set forth, dividends may be paid on the Common Stock out of any funds legally available for the purpose, when and as declared by the Board of Directors.

(ii) Liquidation Rights. In the event of any liquidation or dissolution of the Company, after there shall have been paid to or set aside for the holders of outstanding shares having superior liquidation preferences to Common Stock the full preferential amounts to which they are respectively entitled, the holders of outstanding shares of Common Stock shall be entitled to receive pro rata, according to the number of shares held by each, the remaining assets of the Company available for distribution.

(iii) Voting Rights. Except as set forth in this ARTICLE THIRD or as by statute otherwise mandatorily provided, the holders of the Common Stock shall exclusively possess full voting powers for the election of Directors and for all other purposes.

(iv) No Preemptive Rights. No holders of outstanding shares of Common Stock shall have any preemptive right to subscribe for or acquire any

shares of stock or any securities of any kind hereafter issued by the Company.

(v) Consideration for Shares. Subject to applicable law, the shares of the Company, now or hereafter authorized, may be issued for such consideration as may be fixed from time to time by the Board of Directors. Subject to applicable law and to the provisions of this ARTICLE THIRD, shares of the Company issued and thereafter acquired by the Company may be disposed of by the Company for such consideration as may be fixed from time to time by the Board of Directors.

(vi) Crediting Consideration to Capital. The entire consideration hereafter received upon the issuance of shares of Common Stock without par value shall be credited to capital, and this requirement may not be eliminated or amended without the affirmative vote of consent of the holders of two-thirds of the outstanding Common Stock.

(b) A new Article Fourteenth shall be added thereto which shall be and read in its entirety as follows:

"ARTICLE FOURTEENTH. Any act or transaction by or involving the Company that requires for its adoption pursuant to Chapter 351 of the Missouri General and Business Corporation Law or these Restated Articles of Incorporation the approval of the shareholders of the Company shall, pursuant to Section 351.448 of the Missouri General and Business Corporation Law, require, in addition, the approval of the shareholders of [Holdco], a Missouri corporation, or any successor thereto by merger, by the same vote as is required pursuant to Chapter 351 of the Missouri General and Business Corporation Law or the Restated Articles of Incorporation of the Company."

SECTION 1.4 BY-LAWS OF SURVIVING CORPORATION. From and after the Effective Date, the Company By-laws, as in effect immediately prior to the Effective Date, shall constitute the By-laws of the Surviving Corporation until thereafter amended as provided therein or by applicable law.

SECTION 1.5 DIRECTORS OF SURVIVING CORPORATION. The directors of Newco in office immediately prior to the Effective Date shall be the initial directors of the Surviving Corporation and will hold office from the Effective Date until their successors are duly elected or appointed and qualified in the manner provided in the Surviving Corporation's Charter and By-laws, or as otherwise provided by law.

SECTION 1.6 OFFICERS OF SURVIVING CORPORATION. The officers of Newco in office immediately prior to the Effective Date shall be the officers of the Surviving Corporation until the earlier of their resignation or removal or until their successors are duly elected or appointed and qualified in the

manner provided in the Surviving Corporation's Charter and By-laws, or as otherwise provided by law.

SECTION 1.7 ARTICLES OF INCORPORATION AND BY-LAWS OF HOLDINGS.

From and after the Effective Date, the Holdings Charter and the Holdings By-laws in effect immediately after the Effective Date will contain provisions identical to the Company Charter and Company By-laws, respectively, in effect immediately before the Effective Date (other than with respect to matters excepted by Section 351.448.1(4) of the MGBCL).

SECTION 1.8 ADDITIONAL ACTIONS. Subject to the terms of this

Merger Agreement, the parties hereto shall take all such reasonable and lawful action as may be necessary or appropriate in order to effectuate the Merger. If, at any time after the Effective Date, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of Newco or the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Merger Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of each of Newco and the Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of Newco and the Company or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out this Merger Agreement.

SECTION 1.9 CONVERSION OF SECURITIES. At the Effective Date, by virtue of the Merger and without any action on the part of Holdings, Newco, the Company or the holder of any of the following securities:

(a) Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings Common Stock.

(b) Conversion of Company Common Stock in Treasury. Each share of Company Common Stock issued but held by the Company in its treasury immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and non-assessable share of Holdings Common Stock held in such entity's treasury after the Effective Date.

(c) Conversion of Company 3.80% Preferred. Each share of Company 3.80% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 3.80% Preferred.

(d) Conversion of Company 4% Preferred. Each share of Company 4% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4% Preferred.

(e) Conversion of Company 4.50% Preferred. Each share of Company 4.50% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4.50% Preferred.

(f) Conversion of Company 4.20% Preferred. Each share of Company 4.20% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4.20% Preferred.

(g) Conversion of Company 4.35% Preferred. Each share of Company 4.35% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4.35% Preferred.

(h) Conversion of Capital Stock of Newco. Each share of Newco Common Stock issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of common stock, no par value, of the Surviving Corporation.

(i) Cancellation of Capital Stock of Holdings. Each share of Holdings Common Stock that is owned by the Company immediately prior to the Merger shall automatically be cancelled and retired and shall cease to exist.

(j) Rights of Certificate Holders. From and after the Effective Date, holders of certificates formerly evidencing Company Common Stock or Company Preferred shall cease to have any rights as shareholders of the Company, except as provided by law; provided, however, that such holders shall have the rights set forth in Section 1.10 herein.

SECTION 1.10 NO SURRENDER OF CERTIFICATES. (a) Until thereafter surrendered for transfer or exchange in the ordinary course, each outstanding stock certificate that, immediately prior to the Effective Date, evidenced Company Common Stock shall be deemed and treated for all corporate purposes to evidence the ownership of the number of shares of Holdings Common Stock into which such shares of Company Common Stock were converted pursuant to the provisions of Section 1.9 (a) and (b) herein.

(b) Until thereafter surrendered for transfer or exchange in the ordinary course, each outstanding stock certificate that, immediately prior to the Effective Date, evidenced the Company 3.80% Preferred, Company 4% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, shall be deemed and treated for all corporate purposes to evidence the ownership of the number of shares of the Holdings 3.80% Preferred, Holdings 4% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, into which such shares of Company Preferred were converted pursuant to the provisions of Sections 1.9 (c), (d), (e), (f) or (g) herein, as the case may be.

ARTICLE II

ACTIONS TO BE TAKEN IN CONNECTION WITH THE MERGER

SECTION 2.1 LISTING OF CERTAIN HOLDINGS CAPITAL STOCK. The Company shall use its reasonable efforts to cause the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred and Holdings 4.35% Preferred to be issued pursuant to the Merger to be approved for listing on the New York Stock Exchange (the "NYSE") prior to the Effective Date, subject to official notice of issuance.

SECTION 2.2 PROCUREMENT OF CUSIP NUMBERS. On or prior to the Effective Date, Holdings will use reasonable efforts to procure a new CUSIP number for the Holdings Common Stock, for each series of Holdings Preferred and for any other securities which so require new CUSIP numbers in connection with the Merger.

SECTION 2.3 ELECTION OF DIRECTORS. Effective immediately prior to the Effective Date, the Company, in its capacity as the sole shareholder of Holdings, will cause the Board of Directors of Holdings to effect, and Holdings hereby agrees to effect, such amendments to the Holdings By-laws as are necessary to increase the number of directors of Holdings to equal the number of directors of the Company and the Company, in its capacity as the sole shareholder of Holdings, will elect (or the Board of Directors of Holdings will elect to fill vacancies on the board) each person who is then a member of the board of directors of the Company as a director of Holdings (and to be the only directors of Holdings), each of whom shall serve until the next annual meeting of shareholders of Holdings and until his successor shall have been elected and qualified.

SECTION 2.4 APPLICATION FOR REGULATORY APPROVALS. Prior to the Effective Date, the Company shall apply for, and use reasonable efforts to obtain, the following regulatory approvals and exemptions (the "Regulatory Approvals") for the Merger, for related transfers of assets pursuant to the Contribution, Assignment and Assumption Agreement, by and between the Company and [Genco] and for the power sales agreements related thereto: (1) all necessary approvals from the Kansas Corporation Commission under Chapter 66 of the Kansas Statutes Annotated; (2) all necessary approvals from the Missouri Public Service Commission under Chapter 393 of the Missouri Revised Statutes; (3) all necessary approvals from the Federal Energy Regulatory Commission under the Federal Power Act; (4) all necessary approvals from the Nuclear Regulatory Commission under the Atomic Energy Act; and (5) an exemption from regulation as a registered holding company under the Public Utility Holding Company Act of 1935.

ARTICLE III

CONDITIONS OF MERGER

SECTION 3.1 CONDITIONS PRECEDENT. The obligations of the parties to this Merger Agreement to consummate the Merger and the transactions contemplated by this Merger Agreement shall be subject to fulfillment or waiver by the parties hereto of each of the following conditions:

(a) Prior to the Effective Date, the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred and Holdings 4.35% Preferred to be issued pursuant to the Merger shall have been approved for listing, upon official notice of issuance, by the NYSE.

(b) Prior to the Effective Date, Skadden, Arps, Slate, Meagher & Flom LLP, special tax counsel to the Company, shall have rendered an opinion to the Board of Directors of the Company, in form and substance satisfactory to the Company, to the effect that for federal income tax purposes (i) the Merger will be tax-free under Section 351 of the Internal Revenue Code of 1986, as amended; (ii) no gain or loss will be recognized by the shareholders of the Company upon receipt of the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, in exchange for their shares of Company Common Stock Company 3.80% Preferred, Company 4% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company Preferred 4.35%, as the case may be, pursuant to the Merger; (iii) the tax basis of the shares of Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, to be received by the Company's shareholders pursuant to the Merger Agreement will be the same as their tax basis in the Company Common Stock, Company 3.80% Preferred, Company 4% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, converted or exchanged therefor; and (iv) the holding period of the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, to be received by each of the Company's shareholders pursuant to the Merger Agreement will include the holding period of the Company Common Stock, Company 3.80% Preferred, Company 4% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, converted or exchanged therefor, provided that such Company Common Stock, Company 3.80% Preferred, Company 4% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, is held as a capital asset in the hands of such shareholder at the time of the Merger.

(c) Prior to the Effective Date, no order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits or makes illegal the consummation of the Merger or the transactions contemplated hereby.

(d) Prior to the Effective Date, the Company shall file with the office of the Missouri Secretary of State a Restated Articles of Incorporation of Holdings, among other things, to increase Holdings' authorized capital stock to (i) 150,000,000 shares of Common Stock, without par value, (ii) 409,157 shares of Cumulative Preferred Stock, par value \$100 per share, (iii) 1,572,000 shares of Cumulative No Par Preferred Stock, no par value, and (iv) 11,000,000 shares of Cumulative Preference Stock, without par value.

(e) Prior to the Effective Date, the Regulatory Approvals shall have been obtained, in form and substance satisfactory to the parties, and shall be final and nonappealable.

ARTICLE IV

TERMINATION AND AMENDMENT

SECTION 4.1 TERMINATION. This Merger Agreement may be terminated and the Merger contemplated hereby may be abandoned at any time prior to the Effective Date by action of the Board of Directors of the Company, Holdings or Newco if it is determined that for any reason the completion of the transactions provided for herein would be inadvisable or not in the best interest of such corporation or its shareholders. In the event of such termination and abandonment, this Merger Agreement shall become void and neither the Company, Holdings or Newco nor their respective shareholders, directors or officers shall have any liability with respect to such termination and abandonment.

SECTION 4.2 AMENDMENT. This Merger Agreement may be supplemented, amended or modified by the mutual consent of the Boards of Directors of the parties to this Merger Agreement.

ARTICLE V

MISCELLANEOUS PROVISIONS

SECTION 5.1 GOVERNING LAW. **THIS MERGER AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MISSOURI, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS.**

SECTION 5.2 BINDING EFFECT AND ASSIGNMENT. This Merger Agreement shall be binding upon and inure to the benefit of the parties and to their respective successors and assigns.

SECTION 5.3 THIRD PARTY BENEFICIARIES. This Merger Agreement is not intended and shall not be construed to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights or remedies hereunder.

SECTION 5.4 COUNTERPARTS. This Merger Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 5.5 ENTIRE MERGER AGREEMENT. This Merger Agreement, including the documents and instruments referred to herein, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

IN WITNESS WHEREOF, Holdings, Newco and the Company have caused this Merger Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

KANSAS CITY POWER & LIGHT COMPANY

By: _____
Name: _____
Title: _____

[HOLDCO]

By: _____
Name: _____
Title: _____

[NEWCO]

By: _____
Name: _____
Title: _____