SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

ONSITE ENERGY CORPORATION
(Name of Issuer)

Class A Common Stock, Par Value $.001 Per Share
(Title of Class of Securities)

68284P 10 8
(CUSIP Number)

Rita A. Sharpe
President
Westar Capital, Inc.
818 Kansas Avenue
Topeka, Kansas 66612
---
75-8020
(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

Copy to:

John K Rosenberg, Esq.
818 Kansas Avenue
Topeka, Kansas 66612
(785)575-6535

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October 31, 1997
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box. [ ]



SCHEDULE 13D

CUSIP NO. 68284P 10 8

| | | |
|---|---|---|
| (1) Names of reporting persons<br>S.S. or I.R.S. Identification Nos. of above persons | Westar Capital, Inc.<br>48-1092416 | |
| (2) Check the appropriate box if a member of a group<br>(see instructions) | (a)<br>(b) | [ ]<br>[ X ] |
| (3) SEC use only | | |
| (4) Source of Funds (see instructions) | WC, OO | |

(5) Check if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e) [ ]

- ---

(6) Citizenship or place of organization State of Kansas

- ---

Number of shares beneficially owned by each reporting person with:

| | |
|---|---|
| (7) Sole voting power | 4,714,500 |
| (8) Shared voting power | 0 |
| (9) Sole dispositive power | 4,714,500 |
| (10) Shared dispositive power | 0 |

- ---

(11) Aggregate amount beneficially owned by each reporting person 4,714,500

- ---

(12) Check if the aggregate amount in Row (11) excludes certain shares (see instructions) [ ]

- ---

(13) Percent of class represented by amount in row (11) 30.1%

- ---

(14) Type of reporting person (see instructions) CO

Item 1. Security and Issuer.

This Statement on Schedule 13D ("Statement") relates to the Class A Common Stock, par value $.001 per share ("Common Stock"), of Onsite Energy Corporation ("Company"). The principal executive offices of the Company are at 701 Palomar Airport Road, Suite 200, Carlsbad, California 92009.

Item 2. Identity and Background.

This Statement is filed on behalf of Westar Capital, Inc., a Kansas corporation ("Reporting Person"). The Reporting Person is a holding company that owns subsidiaries that deal in gathering, processing, and marketing natural gas, as well as investments in energy-related technology development and monitored security. The address of the principal business and office of the Reporting Person is 818 S. Kansas Ave., Topeka, Kansas 66601.

The Reporting Person is a wholly-owned subsidiary of Western Resources, Inc., a Kansas corporation ("WRI"). Exhibit A hereto, which is incorporated herein by reference, sets forth the name, the business address and the present principal occupation or employment (and the name, principal business and address of any corporation or other organization in which such employment is conducted) of the executive officers and directors of the Reporting Person and WRI. To the knowledge of the Reporting Person, each of the persons named on Exhibit A is a United States Citizen.

During the five years prior to the date hereof, neither the Reporting Person, WRI nor, to the Reporting Person's knowledge, any executive officer or director of the Reporting Person or WRI (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

Pursuant to a Plan and Agreement of Reorganization, dated as of October 28, 1997, by and between Westar Energy, Inc., Westar Business Services, Inc. and the Company, one million seven hundred thousand (1,700,000) shares of Common Stock of the Company were acquired by the Reporting Person as a result of a reorganization, pursuant to which the Company acquired all of the shares of Westar Business Services, Inc., a wholly owned subsidiary of Westar Energy, Inc. (the Reporting Person's sister corporation), for such shares. In addition, 800,000 shares of Common Stock is held in escrow for the Reporting Person pending the completion of certain post-closing transactions. If such transactions are not concluded prior to March 1, 1998, the shares will be forfeited by the Reporting Person.

Pursuant to a Stock Purchase Agreement, dated as of October 28, 1997, by and between the Company and the Reporting Person, the Reporting Person purchased on October 31, 1997 (a) two million (2,000,000) shares of Common Stock for an aggregate of one million dollars ($1,000,000), and (b) two hundred thousand (200,000) shares of Series C Convertible Cumulative Preferred Stock

Shares ("Preferred Stock") for an aggregate of one million dollars ($1,000,000) with available cash. Each share of Preferred Stock may be converted into five shares of Common Stock of the Company.

The foregoing description of the Plan and Agreement of Reorganization and the Stock Subscription Agreement is a summary of certain of their provisions and reference is made to a copy of each which are attached hereto as Exhibits B and C, respectively, and incorporated herein by reference for all of their terms and conditions

Item 4. Purpose of Transaction.

The Reporting Person acquired all of the Common Stock held by it and the right to acquire the Preferred Stock in its normal course of business and in connection with an investment by the Reporting Person in the capital stock of the company and a reorganization of Westar Business Services, Inc. as a result of negotiations between the Reporting Person and the Company and open market purchases. By reason of its stock ownership, the right to appoint directors to the Company, and certain rights granted to it under the Stock Subscription Agreement, Plan and Agreement of Reorganization, Stockholders Agreement, Registration Rights Agreement, and Certificate of Designations, (as more fully described in Item 6), the Reporting Person may be in a position to influence whether the Company engages in certain corporate transactions including those transactions enumerated under paragraphs (a) through (j) of Item 4 of Schedule 13d.

Rita A. Sharpe, Chairman and President of the Reporting Person is a director of the Company and as such may be in a position to influence whether the Company engages in certain corporate transactions including those transactions enumerated under paragraphs (a) through (j) of Item 4 of Schedule 13d.

The Reporting Person shall continually review its ownership in the Company and, based on its evaluation of market and economic conditions, applicable regulatory requirements, the Reporting Person's contractual obligations entered into in connection with such investment, the Company's business prospects and future developments, it may from time to time determine to modify its investment in the Company through any available means, including open market purchases or sales or privately negotiated transactions or actions of the type enumerated in clauses (a) through (j) of Item 4 of Schedule 13D.

Except as indicated in this Statement or as may result from the execution of the Stock Subscription Agreement, the Stockholders Agreement, the Plan and Agreement of Reorganization or the Certificate of Designation (each as described in Item 6), the Reporting Person currently has no specific plans or proposals that relate to or would result in any of the matters described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

Based on the Company's Form 10-KSB for the year ended June 30, 1997, the Company had a total of 10,944,172 shares of Common Stock outstanding as of June 30, 1997. As a result of a purchase of 2,000,000 shares of Common Stock pursuant to the Stock Purchase Agreement, the acquisition of 1,700,000 shares of Common Stock pursuant to the Plan and Agreement of Reorganization, the right to acquire 1,000,000 shares of Common Stock upon conversion of the Preferred Shares, and 14,500 shares of Common Stock acquired by the Reporting Person prior to the date hereof, as

described below. The Reporting Person beneficially owns 4,714,500 shares of Common Stock, constituting 30.1% of the Company's total outstanding Common Stock, as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), has the sole power to vote or direct the vote of 4,714,500 shares of Common Stock, and has sole power to dispose of 4,714,500 shares of Common Stock.

Since September 1, 1997, the Reporting Person has purchased 14,500 shares of Common Stock of the Company in open market transactions. Set forth below is a table identifying and describing all such transactions:

| Common Shares | Price per Share | Date of Purchase |
|---|---|---|
| 7,500 | .24 | 9/18/97 |
| 7,500 | .26 | 9/18/97 |

In addition, 800,000 shares of Common Stock is held in escrow for the Reporting Person pending the completion of certain post-closing transactions. If such transactions are not concluded prior to March 1, 1998, the shares will be forfeited by the Reporting Person.

Except as set forth in this Statement, neither the Reporting Person, WRI nor, to the best of the Reporting Person's knowledge, any executive officer or director of the Reporting Person or WRI beneficially owns any Common Stock or has engaged in any transaction in any such shares during the sixty day period immediately preceding the date hereof.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

On October 28, 1997, the Company, the Reporting Person, and others executed the following agreements related to this transaction:

a. a Stock Subscription Agreement, dated as of October 28, 1997 (the "Stock Subscription Agreement"),

b. a Plan and Agreement of Reorganization, dated as of October 28, 1997 (the "Plan and Agreement"),

c. a Stockholders Agreement, dated as of October 28, 1997 (the "Stockholders Agreement"), and

d. a Registration Rights Agreement, dated as of October 28, 1997 (the "Registration Rights Agreement"),

for the purposes, among others, of assuring continuity in management and ownership of the Company. Under terms of the Stock Subscription Agreement, the Reporting Person will limit its ownership of Preferred and Common Stock ("Voting Stock") in the Company to 45% of the outstanding Voting Stock on a fully diluted basis for a period of five years from the purchase of the Voting Stock (October 31, 1997) unless the Reporting Person receives the Company's permission to exceed such limit. In addition, on October 24, 1997, the Company filed with the Secretary of

State of Delaware, a Certificate of Designations related to the Preferred Stock which provides the Reporting Person certain rights as described below.

Pursuant to the terms of the Stock Subscription Agreement, the Reporting Person has preemptive rights to purchase its pro rata share of any New Security (as defined in the Stock Subscription Agreement) offerings of the Company at the Average Closing Price (as defined in the Stock Subscription Agreement) for such shares except that, prior to December 31, 1998, in the case of a purchase of shares in connection with the Company's acquisition of another corporation or substantially all of its assets, the price to be paid by the Reporting Person shall not be less than $1.00 nor more than $2.00 per share. In the event that a third party makes an unsolicited bona fide publicly announced offer to acquire control of the Company pursuant to a tender offer, merger, consolidation, share exchange, purchase of a substantial portion of assets, business combination or other similar transaction (a "Third Party Offer") and the Company thereafter (i) issues a statement recommending the Third Party Offer to its shareholders or (ii) the Company either issues a statement not recommending the Third Party Offer or takes no position with respect to such offer but is required by a court to furnish the party making the Third Party Offer a list of shareholders of the Company, the Reporting Person may, without being in violation of the 45% standstill agreement, make a counter-offer to acquire the Company. The Reporting Person also has the right, exercisable between June 30, 1998 and December 31, 1998, to purchase an additional two million (2,000,000) shares of Common Stock at the Average Closing Price, but not below $1.00 or above $2.00 per share.

Pursuant to the terms of the Stockholders Agreement, the Reporting Person has the right to nominate a number of directors equal to the number to which it would be entitled to nominate if all of its stock in the Company were voted cumulatively. Prior to conversion of the Preferred Stock to Common Stock, the number of such directors is reduced by one. The Stockholders other than the Reporting Person are required to vote in favor of the Reporting Person's nominees and the Reporting Person is required to vote in favor of the nominees of the other Stockholders. The Stockholders Agreement terminates after five years or in the event the Reporting Person's stockholdings in the Company fall below 10%.

The Common Shares purchased by the Reporting Person under the Stock Subscription Agreement and the Plan and Agreement of Reorganization (including Common Stock issued upon conversion of the Preferred Shares) are not registered under the Securities Act of 1933, as amended. The Company and the Reporting Person have entered into a Registration Rights Agreement dated October 21, 1997 granting the Reporting Person three demand registrations and unlimited piggyback registration rights with respects to the Common Shares (including Common Stock issued upon conversion of the Preferred Shares).

Pursuant to the Certificate of Designation for the Preferred Stock, upon the failure of the Company to pay quarterly dividends for any four quarters (a "Default Event") and for the duration of the Default Event, the Reporting Person, as the holder of the Preferred Stock prior to conversion, in addition to any other voting rights it may have, shall be entitled to vote (voting as a class by a majority of the outstanding shares thereof) for the election to the Board of Directors of the Company of such number of members thereof as equals at any given time a majority of the number of members of the Board of Directors. Each share of Preferred Stock is convertible at any time at the option of the Reporting Person into five fully paid and nonassessable shares of Common Stock. At the option of the Company, beginning six months after issuance of the Preferred Stock and ending two years after such issuance, the Preferred Stock must be converted to Common Stock upon demand by the

Company to the Reporting Person issued no later than 5 days after any period of 20 consecutive trading days in which the Company's Common Stock trades above $2.00 per share.

The foregoing description of the Plan and Agreement of Reorganization, Stock Subscription Agreement, Stockholders Agreement, Registration Rights Agreement, and Certificate of Designations are a summary of certain of their provisions and reference is made to a copy of such Agreements which are attached hereto as Exhibit B, C, D, E, and F, respectively.

Except as described in this Statement neither the Reporting Person, WRI nor, to the best of the Reporting Person's knowledge, any executive officer or director of the Reporting Person or WRI has any contract, arrangement, understanding or relationship with one or more security holder of the Company or others, with respect to the purchase, holding, voting or disposition of Common Shares or other securities of the Company which are convertible or exercisable into Common Shares. Each of such persons reserves the right to enter into any such contract, arrangement, understanding or relations in the future.

Item 7. Material to be Filed as Exhibits.

Exhibit A: List of Officers and Directors of the Reporting Person and Western Resources, Inc.

Exhibit B: Plan and Agreement of Reorganization, dated as of October 28, 1997 by and among the Reporting Party, the Company, Westar Business Services, Inc., and Westar Energy, Inc.

Exhibit C: Stock Subscription Agreement, dated as of October 28, 1997, by and among the Reporting Person and the Company.

Exhibit D: Stockholders Agreement, dated as of October 28, 1997 by and among the Reporting Party, Richard T. Sperberg, William M. Gary, III, Proactive Partners, L.P., and Lagunitas Partners, L.P.

Exhibit E: Registration Rights Agreement, dated October 28, 1997, between the Company and the Reporting Person.

Exhibit F: Certificate of Designations for Preferred Stock.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

WESTAR CAPITAL, INC.

By: /s/ Rita A. Sharpe
Rita A. Sharpe
President

Dated: November 10, 1997

Executive Officers and Directors of
Westar Capital, Inc. ("Westar") and
Western Resources, Inc. ("WRI")

| Name | Position | Address |
|---|---|---|
| Rita A. Sharpe | President, Westar | 1112 Oak Tree Drive<br>Lawrence, KS 66049 |
| Marilyn K. Dalton | Secretary and Treasurer, Westar | 3321 SW Jardine Court<br>Topeka, Kanas 66611 |
| John E. Hayes, Jr. | Chairman of the Board, Chief Executive Officer, WRI | 1535 SW Pembroke Lane<br>Topeka, Kansas 66604 |
| David C. Wittig | President and Director, WRI | #5, Westboro Place<br>Topeka, Kansas 66604 |
| Steven L. Kitchen | Executive Vice President and Chief Financial Officer, WRI<br>Director, Westar | 10047 SW 101st Street<br>Auburn, Kansas 66042 |
| Carl M. Koupal | Executive Vice President, Chief Administrative Officer , WRI | 3768 SW Clarion Park Drive<br>Topeka, Kansas 66610 |
| John K. Rosenberg | Executive Vice President and General Counsel, WRI | 5450 SW Fairlawn<br>Topeka, Kansas 66610 |
| Jerry D. Courington | Controller, WRI<br>Director, Westar | 3624 SE Arrowhead Drive<br>Topeka, Kansas 66605 |
| Frank J. Becker | Director, WRI | 4408 Heritage Drive<br>Lawrence, Kansas 66047 |
| Gene A. Budig | Director, WRI | 40 Mercer Street<br>Princeton, New Jersey 08540 |
| C. Q. Chandler | Director, WRI | 1515 Foliage Court<br>Wichita, Kansas 67206 |
| Thomas R. Clevenger | Director, WRI | 9215 Killarney<br>Wichita, Kansas 67206 |
| John C. Dicus | Director, WRI | 1524 Lakeside Drive<br>Topeka, Kansas 66604 |
| David H. Hughes | Director, WRI | 2110 W. 67th Terrace<br>Shawnee Mission, Kansas 66208 |
| Russell W. Meyer, Jr. | Director, WRI | 600 Tara Court<br>Wichita, Kansas 67206 |
| John H. Robinson | Director, WRI | 3223 W. 67th Street<br>Shawnee Mission, Kansas 66208 |
| Louis W. Smith | Director, WRI | 11705 Brookwood<br>Leawood, Kansas 66211 |

# PLAN AND AGREEMENT OF REORGANIZATION

This PLAN AND AGREEMENT OF REORGANIZATION (the "Agreement") is entered into as of this 28th day of October, 1997, by and among Onsite Energy Corporation, a Delaware corporation ("Onsite"), Westar Business Services, Inc., a Kansas corporation ("WBS"), Westar Energy, Inc. ("Westar Energy"), a Kansas corporation and the sole shareholder of WBS), and Westar Capital, Inc., a Kansas corporation ("Westar Capital").

## PLAN OF REORGANIZATION

The transaction contemplated by this Agreement is intended to be a "tax free" exchange (the "Reorganization") as contemplated by the provisions of Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended. However, no representation is made nor has an opinion been obtained that the transaction qualifies for Section 368(a)(1)(B) treatment. Onsite will offer to acquire 100% of WBS's issued and outstanding capital stock, consisting solely of Common Stock, no par value (the "WBS Shares"), in exchange for shares of Onsite's voting common stock, par value $0.001 per share. Upon the consummation of the transfer of WBS Shares and the issuance of the Exchange Stock to Westar Capital as set forth in Sections 1 and 2 herein below, WBS will be a wholly-owned subsidiary of Onsite.

## AGREEMENT

## SECTION 1

## TRANSFER OF WBS SHARES

1.1 Delivery of WBS Shares. Westar Energy, the sole shareholder of WBS as of the closing date as such term is defined in Section 3.1 hereof (the "Closing Date"), shall transfer, assign, convey and deliver to Onsite, at the Closing, as such term is defined in Section 3.1 hereof (the "Closing"), certificates representing 100% of the WBS Shares. The transfer of all WBS Shares shall be made free and clear of all liens, mortgages, pledges, encumbrances or charges, whether disclosed or undisclosed, except as Westar Energy and Onsite shall have otherwise agreed in writing prior to the Closing.

## SECTION 2

## ISSUANCE OF ONSITE STOCK TO WESTAR CAPITAL

2.1 Issuance and Delivery of Exchange Stock. As consideration for the transfer, assignment, conveyance and delivery of the WBS Shares hereunder, on the Closing Date, Onsite shall deliver the "Exchange Stock" as follows:

(a) to Westar Capital, 1.7 million shares of Onsite voting common stock, in exchange for all shares of WBS Common Stock outstanding immediately prior to the Closing Date; and

(b) to Bartel Eng Linn & Schroder as Escrow Agent, 800,000 shares of Onsite voting common stock to be delivered to Westar Capital in the event that WBS has executed a contract with (i) the Kansas City, Kansas School District (KCK) for a minimum of $3 million, or (ii) Health Midwest for a minimum of $2 million, before March 1, 1998, pursuant to the Escrow Agreement and Instructions attached hereto as Exhibit A.

2.2 No Lien or Encumbrances on Exchange Stock. The issuance of the Exchange Stock shall be made free and clear of all liens, mortgages, pledges, encumbrances or charges, whether disclosed or undisclosed, except as Westar Energy and Onsite shall have otherwise agreed in writing. As provided herein and immediately prior to the Closing Date, WBS shall have issued and outstanding one thousand (1,000) shares of WBS Common Stock.

2.3 Restrictions on the Exchange Stock. None of the Exchange Stock issued to Westar Capital shall, at the time of Closing, be registered under federal or state securities laws but, rather, the Exchange Stock shall be issued pursuant to an exemption therefrom. All of such shares shall bear a legend worded substantially as follows:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

Onsite's transfer agent shall annotate its records to reflect the restrictions on transfer embodied in the legend set forth above. There shall be no requirement that Onsite register the Exchange Stock under the Securities Act of 1933, as amended (the "Securities Act"), except as set forth in the Registration Rights Agreement between Westar Capital and Onsite of even date herewith, nor shall WBS, Westar Energy or Westar Capital be required to register any WBS Shares under the Securities Act.

2.4 Stockholders' Agreement. The Exchange Stock shall also be subject to certain restrictions as set forth in the Stockholders Agreement dated October 28, 1997, between certain Onsite Shareholders and Westar Capital, and shall contain a legend to that effect.

SECTION 3

CLOSING

3.1 Closing of Transaction; Closing Date. The Closing of the Reorganization (the "Closing") shall take place on October 31, 1997, (the "Closing Date") provided all of the conditions precedent provided for in Section 7 shall have been satisfied or waived and all deliveries provided for in Sections 3.2 and 3.3 have been made. The Closing shall take place simultaneously at the offices of Bartel Eng Linn & Schroder, 300 Capitol Mall, Suite 1100, Sacramento, California, at the offices of WBS, 818 Kansas Avenue, Topeka, Kansas, and at the offices of Onsite, 701 Palomar Airport Road, Suite 200, Carlsbad, California.

3.2 Deliveries on the Closing Date by WBS and Westar Energy. WBS and Westar Energy shall deliver or cause to be delivered to Onsite the following on or before the Closing Date:

(a) a copy of the minutes and/or consent of WBS's Board of Directors authorizing WBS to close the transaction described by this Agreement;

(b) a Certificate of Good Standing for WBS issued not more than thirty days prior to the Closing by the Kansas Secretary of State;

(c) certified copies of WBS's Articles and Bylaws, as amended to the Closing Date;

(d) copies of WBS's unaudited financial statements for the years ended December 31, 1995 and December 31, 1996, and unaudited financial statements for the period ended September 30, 1997, certified to be true and complete copies;

(e) share certificates representing all of the shares of WBS Common Stock, sufficiently endorsed by stock powers for transfer to Onsite pursuant to the terms and conditions of this Agreement;

(f) a certified resolution of Westar Energy forgiving that portion of that certain note by and between WBS and Westar Energy for which WBS has responsibility for repayment or liability;

(g) copies of the resignation letters of the directors and officers of WBS;

(h) a certificate signed by WBS's President dated as of the Closing Date stating that all of WBS's representations and warranties set forth in this Agreement

are true and correct and that all of the conditions of this Agreement applicable to the Closing Date have been satisfied or waived;

(i) a certificate signed by the President of Westar Energy dated as of the Closing Date stating that all of the representations and warranties by WBS and/or Westar Energy set forth in this Agreement are true and correct and that all of the conditions of this Agreement applicable to the Closing Date have been satisfied or waived;

(j) a certificate signed by the President of Westar Capital dated as of the Closing Date stating that all of the representations and warranties by Westar Capital set forth in this Agreement are true and correct and that all of the conditions of this Agreement applicable to the Closing Date have been satisfied or waived; and

(k) a copy of the Non-Compete Agreement between Western Resources, Inc. and Onsite, attached hereto as Exhibit B, executed by Western Resources, Inc.

3.3 Deliveries on the Closing Date by Onsite to Westar Energy. Onsite shall deliver, or cause to be delivered, to Westar Energy the following on or before the Closing Date:

(a) Share certificates evidencing the appropriate number of shares of Onsite Common Stock in accordance with the provisions of Section issued in the name of Westar Capital;

(b) a copy of the minutes and/or consents of Onsite's Board of Directors authorizing Onsite to take the necessary steps toward Closing the transaction described by this Agreement;

(c) a copy of a Certificate of Good Standing for Onsite issued not more than thirty days prior to the Closing by the Delaware Secretary of State;

(d) a certificate signed by Onsite's Chief Executive Officer dated as of the Closing Date stating that all of Onsite's representations and warranties set forth in this Agreement are true and correct and that all of the conditions of this Agreement applicable to the Closing Date have been satisfied or waived; and

(e) an opinion of counsel in the form attached hereto as Exhibit C.

(f) a copy of the Purchase Agreement between Onsite and Westar Energy in the form attached hereto as Exhibit D.

3.4 Filings; Cooperation. WBS, Westar Energy, Westar Capital and Onsite shall, on request and without further consideration, cooperate with one another by furnishing or using their best efforts to cause others to furnish any additional information and/or executing and delivering or using their best efforts to cause others to execute and deliver any additional documents and/or instruments, and doing or using their best efforts to cause others to do any and all such other things as may be reasonably required by the parties or their counsel to consummate or otherwise implement the transactions contemplated by this Agreement.

## SECTION 4

## REPRESENTATIONS AND WARRANTIES BY WBS, WESTAR ENERGY, AND WESTAR CAPITAL

4.1 Representations and Warranties of WBS and Westar Energy. Subject to the schedules attached hereto and incorporated herein by this reference (which schedules shall be acceptable to Onsite), WBS and Westar Energy, jointly and severally, represent and warrant to Onsite as follows:

(a) Organization and Good Standing. WBS is a corporation duly organized, validly existing and in good standing under the laws of Kansas, and has all requisite power and authority to own or lease properties and to carry on business as now being conducted and as proposed to be conducted. WBS is duly qualified and in good standing in each jurisdiction in which the nature of its properties, assets or business requires such qualification.

(b) Capitalization. WBS's authorized capital stock consists of 1,000 shares, all of which are Common Stock, no par value, of which all are issued and currently outstanding or will be issued and outstanding as of the Closing Date. All of such outstanding shares are validly issued, fully paid and non-assessable. WBS does not have any other equity securities or instruments convertible into equity securities authorized, issued or outstanding.

(c) WBS Authority to Execute Agreement. The shareholders of WBS, if required, and WBS's board of directors, pursuant to the power and authority legally vested in them, have duly authorized the execution and delivery by WBS of this Agreement, and have duly agreed to each of the transactions hereby contemplated. WBS has the power and authority to execute and deliver this Agreement, to approve the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. WBS has taken all actions required by law, its Articles of Incorporation, as amended, or otherwise to authorize the execution and delivery of this Agreement. This Agreement is valid and binding upon WBS in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions

contemplated hereby will constitute a violation or breach of the Articles of Incorporation, as amended, or the Bylaws, as amended, of WBS, or any agreement, stipulation, order, writ, injunction, decree, law, rule or regulation applicable to WBS.

(d) Westar Energy Authority to Execute Agreement. The shareholders of Westar Energy, if required, and Westar Energy's board of directors, pursuant to the power and authority legally vested in them, have duly authorized the execution and delivery of this Agreement, and have duly agreed to each of the transactions hereby contemplated. Westar Energy has the power and authority to execute and deliver this Agreement, to approve the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. Westar Energy has taken all actions required by law, its Articles of Incorporation, as amended, or otherwise to authorize the execution and delivery of this Agreement. This Agreement is valid and binding upon Westar Energy in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will constitute a violation or breach of the Articles of Incorporation, as amended, or the Bylaws, as amended, of Westar Energy, or any agreement, stipulation, order, writ, injunction, decree, law, rule or regulation applicable to Westar Energy.

(e) Subsidiaries. WBS has no subsidiaries and no other material investments, directly or indirectly, or other material financial interest in any other corporation or business organization, joint venture or partnership of any kind whatsoever.

(f) Stock Free from Encumbrances. Westar Energy is the legal and beneficial owner of the WBS Shares, free of any liens and encumbrances, and no other party has any right to assert an interest, inchoate or otherwise, in any of the WBS Shares.

(g) Financial Statements. WBS's financial statements are true, complete and correct in all material respects and have been prepared in accordance with past practices, applied on a basis consistent with prior accounting periods, present fairly the financial position and the results of operations and changes in financial positions for the periods indicated and have accurately recorded all material revenues and expenses of WBS on an accrual basis as reflected in the books and records of WBS. The books of account of WBS fully and fairly reflect all of the material transactions of WBS.

(h) Marketable Title. WBS has good and marketable title to all of its material properties and assets, free and clear of any material imperfection of title, security interest, lien, claim or encumbrance of any kind except for the lien of taxes not yet due and payable, and assets or properties held under valid and subsisting leases which are in full force and effect and with which WBS is not in default with or without notice or lapse of time.

(i) Use of Westar Name. On the Closing Date, WBS shall change its name to a name of Onsite's choosing which does not include the word "Westar." After Closing, WBS's right to use the names "Westar," "Westar Business Services," "Westar Business Services, Inc." or any service name or mark related to Westar Energy or Western Resources, Inc. shall be controlled by the Transition Agreement between Onsite, WBS, Westar Energy, Westar Capital and Western Resources, Inc., attached hereto as Exhibit E.

(j) Absence of Certain Changes. Since the date of the most recent available unaudited financial statements specified in Section 4.1(g) above, to WBS's knowledge there has been no material change in WBS's financial condition, assets or liabilities.

(k) Absence of Undisclosed Liabilities. Except as disclosed on WBS's most recent available balance sheet and, to WBS's knowledge, WBS has no other liabilities, other than those incurred in the ordinary course of business, secured or unsecured and whether accrued, absolute, contingent, direct, indirect or otherwise, which would be individually, or in the aggregate, material to the results of operations or financial condition of WBS as of the Closing Date.

(l) Employee Obligations. Except as provided for in Section 8.1(g), WBS has no liabilities to any of its employees or any governmental authority or private insurer, in connection with employee compensation and benefits, including but not limited to: (i) unpaid wages/salary, including unpaid overtime compensation whether accrued, absolute, contingent, direct, indirect or otherwise, (ii) participation in WBS's medical and dental plans, (iii) long-term disability plan payments, and (iv) workers' compensation expenses, including settlement amounts.

(m) Litigation. There are no outstanding orders, judgments, injunctions, awards or decrees of any court, governmental or regulatory body or arbitration tribunal against WBS or its properties. There are no actions, suits or proceedings pending, or, to the knowledge of WBS, threatened against or affecting WBS, any of its officers or directors relating to their positions as such, or any of its properties, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, in connection with the business, operations or affairs of WBS which might result in any material adverse change in the operations or financial condition of WBS, or which might prevent or materially impede the consummation of the transactions under this Agreement.

(n) Tax Matters. All federal, foreign, state and local tax returns, reports and information statements required to be filed by or with respect to the activities of WBS have been filed for all the years and periods for which such returns and statements were due, including extensions thereof. WBS has not incurred any liability with respect to any federal,

foreign, state or local taxes except in the ordinary and regular course of business. WBS is not delinquent in the payment of any such tax or assessment, and no deficiencies for any amount of such tax have been proposed or assessed.

(o) Compliance with Laws. To WBS's knowledge, the operations and affairs of WBS do not violate any law, ordinance, rule or regulation currently in effect, or any order, writ, injunction or decree of any court or governmental agency, the violation of which would substantially and adversely affect the business, financial condition or operations of WBS.

(p) Operating Authorities. To WBS's knowledge, WBS has all material operating authorities, governmental certificates and licenses, permits, authorizations and approvals ("Permits") required to conduct its business as presently conducted. Except as otherwise disclosed in this Agreement, during the last two years, there has not been any notice or adverse development regarding such Permits; such Permits are in full force and effect; no material violations are or have been recorded in respect of any Permit; and no proceeding is pending or, to WBS's knowledge, threatened to revoke or limit any Permit.

(q) Books and Records. The books and records of WBS are complete and correct, are maintained in accordance with good business practice and accurately present and reflect, in all material respects, all of the transactions therein described, and there have been no transactions involving WBS which properly should have been set forth therein and which have not been accurately so set forth.

(r) Minute Book. The Minute Book of WBS as delivered to Onsite contains complete and correct records of all meetings and other corporate actions of the Boards of Directors (including any committee established by the Directors) and the shareholders of WBS, as maintained by it, and is maintained pursuant to the requirements of the jurisdictions of its incorporation.

(s) Contracts. A true, correct, and complete copy of each of WBS's active contracts (the "Contracts") is included in the business records located at WBS's business. WBS has duly performed in all material respects all obligations to be performed by it under the Contracts at or prior to the Closing Date and has received no notice from any other party thereto that it is in default in any material respect under any of its obligations thereunder. No other party to any Contract is in default in any material respect under any of its obligations thereunder. To WBS's knowledge, no condition or state of facts exists that with notice or the passage of time, or both, would constitute a default by WBS under any Contract, and each Contract is in full force and effect and enforceable by WBS against all other parties thereto in all material respects.

(t) Finder's Fee. WBS and Westar Energy are not liable or obligated to pay any finder's, agent's, broker's or consultant's fee arising out of or in connection with this Agreement or the transactions contemplated by this Agreement, and WBS and Westar Energy have done nothing to cause Onsite to incur any liability to any party for any finder's, agent's, broker's or consultant's fee arising out of or in connection with this Agreement or the transactions contemplated by this Agreement.

4.2 Representations and Warranties of Westar Capital. Westar Capital represents and warrants to Onsite as follows:

(a) Westar Capital Authority to Execute Agreement. The shareholders of Westar Capital, if required, and Westar Capital's board of directors, pursuant to the power and authority legally vested in them, have duly authorized the execution and delivery of this Agreement, and have duly agreed to each of the transactions hereby contemplated. Westar Capital has the power and authority to execute and deliver this Agreement, to approve the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. Westar Capital has taken all actions required by law, its Articles of Incorporation, as amended, or otherwise to authorize the execution and delivery of this Agreement. This Agreement is valid and binding upon Westar Capital in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will constitute a violation or breach of the Articles of Incorporation, as amended, or the Bylaws, as amended, of Westar Capital, or any agreement, stipulation, order, writ, injunction, decree, law, rule or regulation applicable to Westar Capital.

(b) Purchase Entirely for Own Account. This Agreement is made by
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Onsite in reliance upon Westar Capital's representation to Onsite, which by Westar Capital's execution of this Agreement Westar Capital hereby confirms, that the Exchange Stock to be issued to Westar Capital hereunder will be acquired for investment purposes for Westar Capital's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of applicable federal and state securities laws. By executing this Agreement, Westar Capital further represents that Westar Capital does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Exchange Stock. A transfer of the Exchange Stock to an Affiliate by Westar Capital shall not be deemed to be a violation of this provision. As used herein, the term "Affiliate" shall mean, with respect to any person, any other person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with such person.

(c) Reliance Upon Westar Capital's Representations. Westar Capital understands that the Exchange Stock has not been registered under the Securities Act on the

grounds that the transactions contemplated by this Agreement and the issuance of the Exchange Stock is exempt from registration under the Securities Act pursuant to Section 4(2) thereof, and Regulation D promulgated thereunder, and that the Onsite's reliance on such exemption is predicated on Westar Capital's representations set forth herein.

(d) Receipt of Information. Westar Capital has received information and had the opportunity to ask questions of Onsite management and has considered such information in evaluating the terms and conditions of the offering of the Exchange Stock, and the business, properties, prospects and financial condition of Onsite, and in deciding to accept the Exchange Stock. The foregoing, however, does not limit or modify the representations and warranties of Onsite in Section 5.1 hereof or the right of Westar Capital to rely thereon.

(e) Investment Experience. Westar Capital represents that it is experienced in evaluating and investing in securities of companies and acknowledges that it is able to fend for itself, can bear the economic risk of the investment, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment in the Exchange Stock. WBS, Westar Energy and Westar Capital further represent that none of them has been organized solely for the purpose of acquiring the Exchange Stock.

(f) Accredited Investor. Westar Capital represents that it is an "accredited investor" as that term is defined in Regulation D, 17 C.F.R. 230.501(a).

(g) Restricted Securities. Westar Capital understands that the Exchange Stock issued, or to be issued, hereunder may not be sold, transferred, or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Exchange Stock, or an available exemption from registration under the Securities Act, the Exchange Stock must be held indefinitely. In particular, Westar Capital is aware that the Exchange Stock may not be sold pursuant to Rule 144, 17 C.F.R. 230.144, unless all of the conditions of that Rule are met.

4.3 Disclosure. WBS and Westar Energy, jointly and severally, have disclosed all events, conditions and facts materially affecting the business and prospects of WBS. No representation or warranty by WBS or Westar Energy in this Agreement, nor any statement or certificate furnished or to be furnished to Onsite by WBS or Westar Energy pursuant hereto, or in connection with the transactions contemplated hereby, knowingly contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained therein not misleading.

SECTION 5

REPRESENTATIONS AND WARRANTIES BY ONSITE

5.1 Representations and Warranties of Onsite. Onsite represents and warrants to WBS as follows:

(a) Organization and Good Standing. Onsite is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to own or lease its properties and to carry on its business as now being conducted and as proposed to be conducted.

(b) Capitalization. Onsite's authorized capital stock consists of (a) 24 million shares of Common Stock, 0.001 par value, of which 23,999,000 are designated Class A Common Stock, of which 12,944,172 are currently outstanding and held by approximately 217 shareholders of record, and (b) one million shares of preferred stock, $0.001 par value, of which two hundred thousand (200,000) are issued and currently outstanding.

(c) Authority to Execute Agreement. The Board of Directors of Onsite, pursuant to the power and authority legally vested in it, has duly authorized the execution and delivery by Onsite of this Agreement, and has duly agreed to each of the transactions hereby contemplated. Onsite has the power and authority to execute and deliver this Agreement, to approve the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. Onsite has taken all actions required by law, its Articles of Incorporation, as amended, or otherwise to authorize the execution and delivery of this Agreement. This Agreement is valid and binding upon Onsite. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will constitute a violation or breach of the Articles of Incorporation, as amended, or the Bylaws, as amended, of Onsite, or any agreement, stipulation, order, writ, injunction, decree, law, rule or regulation applicable to Onsite.

(d) Subsidiaries. Except as set forth in Schedule 5.1(d), Onsite has no subsidiaries, no other investments, directly or indirectly, and no other financial interest in any other corporation or business organization, joint venture or partnership of any kind whatsoever.

(e) Financial Statements. Onsite has delivered to WBS, prior to the Closing Date, copies of Onsite's audited financial statements for each of the three years ended June 30, 1995, 1996 and 1997, which are true and complete and have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with past practice.

(f) Absence of Certain Changes. Since the audited financial statements in Onsite's Form 10-KSB for the year ended June 30, 1997, to Onsite's knowledge, there has been no material change in Onsite's financial condition, assets or liabilities.

(g) Absence of Undisclosed Liabilities. Except to the extent reflected in Onsite's most recent financial statements in Onsite's Form 10-KSB for the year ended June 30, 1997, and to Onsite's knowledge, Onsite has no other liabilities, other than those incurred in the ordinary course of business, secured or unsecured and whether accrued, absolute, contingent, direct, indirect or otherwise except the expenses in connection with the acquisition of WBS, which would be materially adverse, individually or in the aggregate, to the results of operation or financial condition of Onsite.

(h) Litigation. Other than as disclosed in the auditors response letter dated September 25, 1997 and previously provided to Westar Energy, there are no outstanding orders, judgments, injunctions, awards or decrees of any court, governmental or regulatory body or arbitration tribunal against Onsite or its properties. There are no actions, suits or proceedings pending, or, to the knowledge of Onsite, threatened against or relating to Onsite. Onsite is not in default under or with respect to any judgment, order, writ, injunction or decree of any court or of any federal, state, municipal or other governmental authority, department, commission, board, agency or other instrumentality.

(i) Tax Matters. All federal, foreign, state and local tax returns, reports and information statements required to be filed by or with respect to the activities of Onsite have been filed for all the years and periods for which such returns and statements were due, including extensions thereof. Onsite has not incurred any liability with respect to any federal, foreign, state or local taxes except in the ordinary and regular course of business. Onsite is not delinquent in the payment of any such tax or assessment, and no deficiencies for any amount of such tax have been proposed or assessed.

(j) Compliance with Laws. To Onsite's knowledge, the operations and affairs of Onsite do not violate any law, ordinance, rule or regulation currently in effect, or any order, writ, injunction or decree of any court or governmental agency, the violation of which would substantially and adversely affect the business, financial condition or operations of Onsite.

(k) Reports and Other Information. All material reports, documents and information required to be filed with the Securities and Exchange Commission with respect to Onsite have been filed. Since January 1, 1996, Onsite has made all filings required to be made in compliance with the Securities Act, and, to Onsite's knowledge, such did not omit to state any material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made as of their respective dates of filing.

(l) Operating Authorities. To Onsite's knowledge, Onsite has all material operating authorities, governmental certificates and licenses, permits, authorizations and

approvals ("Permits") required to conduct its business as presently conducted. During the last 2 years, there has not been any notice or adverse development regarding such Permits; such Permits are in full force and effect; no material violations are or have been recorded in respect of any Permit; and no proceeding is pending or, to Onsite's knowledge, threatened to revoke or limit any Permit.

(m) Books and Records. The books and records of Onsite are complete and correct, are maintained in accordance with good business practice and accurately present and reflect, in all material respects, all of the transactions therein described, and there have been no transactions involving Onsite which properly should have been set forth therein and which have not been accurately so set forth.

(n) Finder's Fees. Onsite is not liable or obligated to pay any finder's, agent's, broker's or consultant's fee arising out of or in connection with this Agreement or the transactions contemplated by this Agreement.

5.2 Disclosure. Onsite has disclosed all events, conditions and facts materially affecting the business and prospects of Onsite. No representation or warranty by Onsite in this Agreement, nor any statement or certificate furnished or to be furnished to WBS by Onsite pursuant hereto, or in connection with the transactions contemplated hereby, knowingly contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained therein not misleading.

## SECTION 6

## CONDUCT OF PARTIES PENDING CLOSING

6.1 Conduct of WBS Business Pending Closing. WBS covenants that, pending the Closing Date:

(a) No change will be made in WBS's Articles of Incorporation or bylaws other than such changes as may be first approved in writing by Onsite.

(b) Subject to the protection provided by Section 8.8 herein, WBS has given or will give to Onsite, its accountants and other representatives full access during normal business hours throughout the period prior to the Closing Date, to all of WBS's properties, books, contracts, commitments, and records, and has furnished or will furnish Onsite during such period with all such information concerning WBS's affairs as Onsite may reasonably request.

(c) WBS's business will be conducted only in the ordinary course, except as approved in writing by Onsite.

(d) WBS will not consider any inquiries or proposals relating to the possible merger or reorganization of WBS or a purchase of its assets, except to the extent that they may be legally obligated to do so in which case Onsite shall be notified in writing.

(e) Except for the contracts related to KCK, Health Midwest, and Mid-States referenced in Section and other than in the ordinary course of business, unless such contract or commitment is less than $50,000, no contract or commitment will be entered into by or on behalf of WBS or indebtedness otherwise incurred, except with the prior consent of Onsite.

(f) No material increases in annual compensation to employees shall be made and no employment agreements shall be entered into with any employees of WBS.

(g) WBS shall not dispose of any of its assets, except in connection with the "Appliances Business," or in the ordinary course of business.

(h) WBS will use its best efforts to preserve WBS's business intact; and to preserve the goodwill of those having business relations with WBS.

6.2 Conduct of Onsite Pending Closing. Onsite covenants that, pending the Closing:

(a) Onsite's business will be conducted only in the ordinary course.

(b) Except for the designation of the Series C Preferred Stock, no change will be made in Onsite's Articles of Incorporation or bylaws other than such changes as may be first approved in writing by WBS.

(c) Onsite will not consider any inquiries or proposals relating to the possible merger or reorganization of Onsite or a purchase of its assets, except to the extent that they may be legally obligated to do so in which case Westar Energy shall be notified in writing.

(d) Onsite has given or will give to WBS and/or Westar Energy, its accountants and other representatives, full access during normal business hours throughout the period prior to the Closing Date, to all of Onsite's properties, books, contracts, commitments, and records, and has furnished or will furnish WBS during such period with all such information concerning Onsite's affairs as WBS may reasonably request.

## SECTION 7

## CONDITIONS PRECEDENT TO CLOSING

7.1 Conditions Precedent to Closing. All obligations of Onsite and WBS under this Agreement are subject to the fulfillment, prior to or at the Closing Date, of all conditions herein set forth, including, but not limited to, receipt by the appropriate party of

all deliveries required by Sections 3.2 and 3.3 herein, and fulfillment, prior to the Closing Date, of each of the following conditions:

(a) WBS's, Westar Energy's, and Onsite's representations, warranties and covenants contained in this Agreement shall be true at the time of the Closing Date as though such representations, warranties and covenants were made at such time.

(b) WBS shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with prior to or at the Closing Date.

(c) Westar Energy shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with prior to or at the Closing Date.

(d) Onsite shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with prior to or at the Closing Date.

(e) Effective as of the Closing Date, WBS's director(s) shall have resigned from the board and appointed new director(s), as nominated by letter from Onsite's Chief Executive Officer.

(f) The Stock Subscription Agreement, and related agreements, between Onsite and Westar Capital shall have closed.

(g) Effective as of the Closing Date, WBS's officer(s) shall have resigned from such positions.

(h) The Transition Agreement, attached hereto as Exhibit E, between Onsite and Western Resources, Inc. shall have been executed and delivered.

(i) The Separation Plan attached hereto as Exhibit F (the "Separation Plan") shall have been adopted by Onsite.

## SECTION 8

## ADDITIONAL COVENANTS OF THE PARTIES

8.1 Employees. Upon the Closing, all of WBS's employees shall be terminated and Onsite shall offer employment to each of WBS's employees on an "at will" basis with a severance package as set forth in the Separation Plan.

(a) Offer of Employment. At least one calendar day prior to the Closing Date, Onsite shall make an offer of "at will" employment to every employee listed by WBS on Schedule 8.1(a) attached hereto, which offer shall include cash compensation as indicated next to such employee's name on Schedule 8.1(a) and inclusion of such employee in the employee benefit plans of Onsite, including but not limited to government-mandated plans ("Offer of Employment").

(b) Acceptance of an Offer of Employment. Acceptance of the Offer of Employment will be effective only upon the receipt by Onsite via facsimile, or by written acceptance delivered to Rita A. Sharpe, not later than 8:00 a.m. Central Standard Time on November 3, 1997, ("Offer Acceptance Deadline") on a form to be provided by Onsite with the Offer of Employment. If the acceptance of the Offer of Employment is not received by Onsite before 8:00 a.m. Central Standard Time on November 3, 1997, then it shall be deemed rejected. An individual who rejects an Offer of Employment shall not become a "Continuing Employee," and Onsite shall have no obligation to such individual, except as provided in paragraph (c) below. Each employee of WBS who accepts an Offer of Employment and commences active full-time employment is referred to in this Agreement as a "Continuing Employee."

(c) Declining Employee. In the event that a WBS employee listed in Schedule 8.1(a) is required by Onsite under the Offer of Employment and as a condition of employment to report to work at a location more than 35 miles from such individual's work location prior to the Closing (provided such new work location is not actually closer to the employee's residence) and such individual does not accept the Offer of Employment (a "Declining Employee"), Onsite agrees to pay Westar Energy and Westar Energy agrees to pay the Declining Employee an amount equal to the amount Onsite would have paid the Declining Employee under paragraphs 4(a), (b) or (c) of the Separation Plan if the Declining Employee was eligible for benefits under the Separation Plan. It is specifically recognized that no Declining Employee shall be deemed an employee of Onsite by virtue of such payment, nor shall any Declining Employee be eligible for the insurance benefits set forth in paragraph 4(d) of the Separation Plan.

(d) Severance. Each Continuing Employee who is terminated from employment by Onsite within one year after the Closing Date shall, if such Continuing Employee is eligible for separation pay and benefits in accordance with the Separation Plan, receive the separation pay and benefits provided in the Separation Plan. Onsite shall adopt the Separation Plan at Closing and keep such Separation Plan in effect for 12 months thereafter.

(e) Employment at will. Nothing in this Agreement nor the Separation Plan shall be construed to imply that Onsite has assumed any obligation not expressly set forth herein or alter the fact that each Continuing Employee shall be an employee at will.

(f) Benefit Plans. Onsite shall make available to Continuing Employees and their eligible dependents (i) Onsite's policies, programs, and plans in effect, as of the

date hereof, and (ii) workers' compensation, unemployment compensation, and all other government-mandated plans. Onsite's benefit plans shall not provide for ineligibility for benefits for any Continuing Employee and their eligible dependents based on a preexisting condition unless, immediately as of the Closing Date, such conditions also resulted in ineligibility for benefits for such Continuing Employee or their eligible dependent, as the case may be, under WBS's benefit plans.

(g) Westar Energy's Obligations. After the Closing, Westar Energy shall have responsibility for all wages and salaries accrued to the Offer Acceptance Deadline, all payroll taxes incurred prior to the Offer Acceptance Deadline, and the following benefit payments: (i) all medical or dental expenses incurred prior to the Offer Acceptance Deadline by any WBS employee and individuals covered under any employee's participation in WBS's medical and dental plans in accordance with WBS's group insurance policy extension provisions; (ii) all payments for sick leave taken by any WBS employee prior to the Offer Acceptance Deadline (although this Agreement shall not create or impose any right to payments which did not otherwise exist); (iii) all long-term disability plan payments relating to disabilities which commenced prior to the Offer Acceptance Deadline; (iv) benefit expenses incurred by any WBS employee or eligible dependent, as the case may be, prior to the Offer Acceptance Deadline under WBS's benefit plans, (v) workers' compensation expenses, including settlement amounts, arising from or related to events occurring prior to the Offer Acceptance Deadline; (vi) all payments for accrued and unused vacation time, and (vii) expenses, including settlement amounts, incurred with respect to WBS employees for workers' compensation claims arising out of occurrences which occurred prior to the Offer Acceptance Deadline.

(h) Onsite's Obligations. Onsite shall be responsible for all benefits of Continuing Employees and their eligible dependents which are incurred after the Offer Acceptance Deadline and are payable under the terms and conditions of Onsite's benefit plans. With respect to workers' compensation and any other government-mandated plans, this Section shall not be construed to violate applicable statutes or regulations. Where permissible, any liabilities (other than those Westar Energy has agreed to retain) under workers' compensation and other government-mandated plans shall be transferred from Westar to Onsite as of the Offer Acceptance Deadline. Where such transfer is prohibited by law, this provision is intended to establish that primary responsibility as between Westar Energy and Onsite for any liabilities, other than those liabilities which Westar Energy has agreed to retain, shall be borne by Onsite.

(i) Separation Arrangements. Effective as of the Offer Acceptance Deadline, Onsite shall establish and adopt the Separation Plan, as set forth in Exhibit F attached hereto, for the benefit of all Continuing Employees. Onsite shall maintain the Separation Plan for a period of at least one year from the Closing Date. The costs incurred, directly or indirectly, under the Separation Plan in connection with the termination of any Continuing Employee after the Closing Date, shall be borne exclusively by Onsite. "Years of Service" for each Continuing Employee as such term is used in the Separation Plan is set forth in Schedule 8.1(a). If, at any time within 12 calendar months after the date of

termination of employment of any Continuing Employee, Westar Energy hires such Continuing Employee, then Westar Energy shall promptly pay to Onsite an amount equal to the total amount paid by Onsite to such terminated Continuing Employee under the Separation Plan.

8.2 Offices. Onsite shall cause WBS to maintain offices in Topeka and Kansas City, Kansas as long as it makes good business sense.

8.3 Covenant Not to Compete. To secure the interests of Onsite hereunder, Westar Energy covenants and agrees that it will employ best efforts to not, directly or indirectly, for the five years following the Closing Date, anywhere in the states of Kansas, Missouri, Oklahoma, California, New Jersey, New York, Massachusetts, Pennsylvania, Maryland, Virginia, Florida, Washington, Arizona, Texas and Illinois, unless otherwise authorized by Onsite in writing:

(a) solicit any customer of WBS or Onsite for services of the Businesses, either directly or indirectly, or any current customer, regardless of where located; or

(b) participate in the ownership, management, operation or control of, or have any financial interest in or be connected with, or engage in or aid or knowingly assist anyone else, in the conduct of the following activities (collectively referred to as the "Businesses"):

(i) Reverse osmosis water treatment except for Western Resources facilities not currently served by WBS;

(ii) construction and installation of electric substations and other electrical equipment for use by industrial and governmental entities within systems owned by them, other than for emergency repairs and maintenance performed by Western Resources and its regulated affiliates for such entities or for its own system. This does not include services provided by Western Resources and its regulated affiliates as part of its electric and gas business as currently regulated; or

(iii) comprehensive design and installation of equipment and services for the purpose of reducing energy costs.

Provided, however, that, during such five year period, if Westar Energy or any of its affiliates should acquire a company which engages in the Businesses, Westar Energy or such affiliate will offer to sell such Businesses to Onsite, and Onsite and Westar Energy or such affiliate will negotiate in good faith to consummate such sale. In the event Onsite and Westar Energy or such affiliate are unable to agree to the terms of such sale, the parties shall retain a third-party appraiser to set the sale price. In the event Onsite and Westar Energy or such affiliate do not consummate a sale based on the price recommended by the third-party

appraiser, Westar Energy or its affiliate may retain and operate such Businesses and will not by virtue of such activities be deemed to be in violation of this covenant not to compete.

It is not a violation of this Agreement for Western Resources or an affiliate to acquire or hold a passive interest not in excess of 5% of the outstanding equity in an entity engaged in the Businesses.

8.4 Taxes. Westar Energy shall pay, to Onsite or to the appropriate taxing authority, any and all tax liability incurred by WBS prior to the Closing Date, including taxes which have been incurred but are not yet assessed, due and/or payable.

8.5 Cooperation. WBS, Westar Energy, and Onsite will cooperate with each other and their respective agents in carrying out the transactions contemplated by this Agreement, and in delivering all documents and instruments deemed reasonably necessary or useful by the other party.

8.6 Expenses. Each of the parties hereto shall pay all of its respective costs and expenses (including attorneys' and accountants' fees, finder's and consultant's fees, costs and expenses) incurred in connection with this Agreement and the consummation of the transactions contemplated herein.

8.7 Publicity. Prior to the Closing Date, any written news releases and/or other shareholder communication by any party pertaining to this Agreement or the transactions contemplated herein shall be submitted to the other parties for their review and approval prior to such news release and/or other shareholder communication; provided, however, that (a) such approval shall not be unreasonably withheld, and (b) such review and approval shall not be required of disclosures required to comply, in the judgment of counsel, with federal or state securities or corporate laws or policies.

Each party shall provide the other reasonable opportunity, considering the urgency of the disclosure of a particular matter, to review and comment upon disclosures required to comply, in the judgment of counsel, with federal or state securities or corporate laws or policies.

8.8 Confidentiality. While each party is obligated to provide access to and furnish information in accordance with this Agreement, it is understood and agreed that such disclosure and information obtained as a result of such disclosure are proprietary and confidential in nature. Each party agrees to hold such information in confidence and not to reveal any such information to any person who is not a party to this Agreement, or an officer, director or key employee thereof, and not to use the information obtained for any purpose other than assisting in its due diligence inquiry, unless such information was obtained without restriction from an alternative source or if the disclosure of such information is required by law. This Section shall survive the execution and delivery of this Agreement, the Closing and the consummation of the transaction called for by this

Agreement and shall not be limited to the time period otherwise set forth in Section 10 below.

SECTION 9

TERMINATION

9.1 Mutual Termination. WBS and Onsite may agree to mutually terminate this Agreement prior to Closing without any liability to each other.

9.2 Termination upon Breach. Either party may terminate this Agreement upon a material breach of this Agreement by the other.

SECTION 10

SURVIVAL OF REPRESENTATIONS AND WARRANTIES

10.1 As to WBS. The representations and warranties of WBS contained herein shall survive the execution and delivery of this Agreement, the Closing and the consummation of the transactions called for by this Agreement for a period of 2 years from the date of this Agreement unless a lesser time period is specified.

10.2 As to Westar Energy. The representations and warranties of Westar Energy contained herein shall survive the execution and delivery of this Agreement, the Closing and the consummation of the transactions called for by this Agreement for a period of 2 years from the date of this Agreement unless a lesser time period is specified.

10.3 As to Onsite. The representations and warranties of Onsite contained herein shall survive the execution and delivery of this Agreement, the Closing and the consummation of the transactions called for by this Agreement for a period of 2 years from the date of this Agreement unless a lesser time period is specified.

SECTION 11

MISCELLANEOUS

11.1 Entire Agreement, Amendments. This Agreement (including the Exhibits and Schedules hereto) contains the entire agreement between the parties with respect to the transactions contemplated hereby, and supersedes all negotiations, representations, warranties, commitments, offers, contracts, and writings prior to the date hereof.

11.2 Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective assigns and successors in interest; provided

that neither this Agreement nor any right hereunder shall be assignable by Onsite or WBS without the prior written consent of the other parties.

11.3 Indemnification.

(a) By Onsite. Onsite covenants and agrees to defend, indemnify and hold harmless WBS and each of its officers, directors, employees, agents, advisors and shareholders and affiliates, as such persons existed prior to the Closing Date (collectively, the "WBS Indemnitees") from and against, any loss, liability, damage or expense (including reasonable attorneys' fees and costs) which any WBS Indemnitee may suffer, sustain or become subject to as a result of a breach of any representation, warranty or covenant by Onsite contained in this Agreement.

(b) By WBS. WBS covenants and agrees to defend, indemnify and hold harmless Onsite and each of its officers, directors, employees, agents, advisors and shareholders and affiliates, as such persons existed prior to the Closing Date (collectively, the "Onsite Indemnitees") from and against any loss, liability, damage or expense (including reasonable attorneys' fees and costs) which any Onsite Indemnitee may suffer, sustain or become subject to, as a result of a breach of any representation, warranty or covenant by WBS contained in this Agreement.

(c) By Westar Energy. Westar Energy covenants and agrees to defend, indemnify and hold harmless Onsite and each of its officers, directors, employees, agents, advisors and shareholders and affiliates, as such persons existed prior to the Closing Date (collectively, the "Onsite Indemnitees") from and against any loss, liability, damage or expense (including reasonable attorneys' fees and costs) which any Onsite Indemnitee may suffer, sustain or become subject to, as a result of a breach of any representation, warranty or covenant by WBS and/or Westar Energy contained in this Agreement.

(d) By Westar Capital. Westar Capital covenants and agrees to defend, indemnify and hold harmless Onsite and each of its officers, directors, employees, agents, advisors and shareholders and affiliates, as such persons existed prior to the Closing Date (collectively, the "Onsite Indemnitees") from and against any loss, liability, damage or expense (including reasonable attorneys' fees and costs) which any Onsite Indemnitee may suffer, sustain or become subject to, as a result of a breach of any representation, warranty or covenant by Westar Capital contained in this Agreement.

11.4 Dispute Resolution. No party to this Agreement shall be entitled to take legal action with respect to any dispute relating hereto until it has complied in good faith with the following alternative dispute resolution procedures. This Section shall not apply to the extent it is deemed necessary to take legal action immediately to preserve a party's adequate remedy.

(a) Negotiation. The parties shall attempt promptly and in good faith to resolve any dispute arising out of or relating to this Agreement, through negotiations between

representatives who have authority to settle the controversy. Any party may give the other party written notice of any such dispute not resolved in the normal course of business. Within 20 days after delivery of the notice, representatives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange information and to attempt to resolve the dispute, until the parties conclude that the dispute cannot be resolved through unassisted negotiation. Negotiations extending sixty days after notice shall be deemed at an impasse, unless otherwise agreed by the parties.

If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiator(s) shall be given at least three working days' notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal and state Rules of Evidence.

(b) ADR Procedure. If a dispute with more than $20,000.00 at issue has not been resolved within 60 days of the disputing party's notice, a party wishing resolution of the dispute ("Claimant") shall initiate assisted Alternative Dispute Resolution ("ADR") proceedings as described in this Section. Once the Claimant has notified the other party ("Respondent") of a desire to initiate ADR proceedings, the proceedings shall be governed as follows: By mutual agreement, the parties shall select the ADR method they wish to use. That ADR method may include arbitration, mediation, mini-trial, or any other method which best suits the circumstances of the dispute. The parties shall agree in writing to the chosen ADR method and the procedural rules to be followed within 30 days after receipt of notice of intent to initiate ADR proceedings. To the extent the parties are unable to agree on procedural rules in whole or in part, the current Center for Public Resources, Inc. ("CPR") Model Procedure for Mediation of Business Disputes, CPR Model Mini-trial Procedure, or CPR Commercial Arbitration Rules--whichever applies to the chosen ADR method--shall control, to the extent such rules are consistent with the provisions of this Section. If the parties are unable to agree on an ADR method, the method shall be arbitration.

The parties shall select a single Neutral (as defined by CPR) third party to preside over the ADR proceedings, by the following procedure: Within 15 days after an ADR method is established, the Claimant shall submit a list of 5 acceptable Neutrals to the Respondent. Each Neutral listed shall be sufficiently qualified, including demonstrated neutrality, experience and competence regarding the subject matter of the dispute. A Neutral who is an attorney or former judge shall be deemed to have adequate experience. None of the Neutrals may be present or former employees, attorneys, or agents of either party. The list shall supply information about each Neutral, including address, and relevant background and experience (including education, employment history and prior ADR assignments). Within 15 days after receiving the Claimant's list of Neutrals, the Respondent shall select one Neutral from the list, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Respondent, the Respondent shall submit a list of 5 Neutrals, together with the above background information, to the Claimant. Each of the Neutrals shall meet the conditions stated above regarding the Claimant's

Neutrals. Within 15 days after receiving the Respondent's list of Neutrals, the Claimant shall select one Neutral, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Claimant, then the parties shall request assistance from the CPR to select a Neutral.

The ADR proceeding shall take place within 30 days after the Neutral has been selected. The Neutral shall issue a written decision within 30 days after the ADR proceeding is complete. Each party shall be responsible for an equal share of the costs of the ADR proceeding. The parties agree that any applicable statute of limitations shall be tolled during the pendency of the ADR proceedings, and no legal action may be brought in connection with this Agreement during the pendency of an ADR proceeding.

The Neutral's written decision shall become final and binding on the parties, unless a party objects in writing within 30 days of receipt of the decision. The objecting party may then file a lawsuit in any court allowed by this Agreement. The Neutral's written decision shall be admissible in the objecting party's lawsuit.

11.5 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the parties. Any amendment or waiver effected in accordance with this paragraph shall be binding upon all of the parties. A waiver by any party hereto of a default in the performance of this Agreement shall not operate as a waiver of any future or other default, whether of a like or different kind.

11.6 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the parties shall use their efforts to substitute provisions of substantially the same effect. The balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

11.7 Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

11.8 Notices. All notices or other communications required hereunder shall be in writing and shall be sufficient in all respects and shall be deemed delivered after 5 days if sent via registered or certified mail, postage prepaid; the next day if sent by overnight courier service; or one business day after transmission, if sent by facsimile to the following:

(i) If to Onsite: Onsite Energy Corporation
701 Palomar Airport Rd., Suite 200
Carlsbad, CA 92009
Fax: (760) 931-2405
Attn: Richard T. Sperberg

with a copy to:

Bartel Eng Linn & Schroder
300 Capitol Mall, Suite 1100
Sacramento, CA 95814
Fax: (916) 442-3442
Attn: Scott E. Bartel, Esq.

(ii) If to WBS, Westar Energy and/or Westar Capital:

Westar Energy, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Fax: (785) 575-1771
Attn: Rita A. Sharpe

with a copy to:

Westar Energy, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Fax: (785) 575-1771
Attn: John K. Rosenberg

Any party hereto may change its address for purposes hereof by notice to all other parties hereto.

11.9 Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by a party and sent to the other parties via facsimile transmission and the facsimile transmitted copy shall have the same integrity, force and effect as an original document.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

ONSITE ENERGY CORPORATION,
a Delaware corporation

By:
Richard T. Sperberg,
President

WESTAR BUSINESS SERVICES,
INC., a Kansas corporation

By:
Rita A. Sharpe,
President

WESTAR ENERGY, INC.,
a Kansas corporation

By:
,
President

WESTAR CAPITAL, INC.,
a Kansas corporation

By:
,
President

EXHIBITS

| | |
|---|---|
| Exhibit A-- | Escrow Agreement and Instructions |
| Exhibit B-- | Non-compete Agreement (Western Resources) |
| Exhibit C-- | Opinion of Counsel |
| Exhibit D-- | Purchase Agreement (Mid-States) |
| Exhibit E-- | Transition Agreement |
| Exhibit F-- | Separation Plan |

SCHEDULE LIST

WBS

Schedule 8.1(a) Employees

Onsite

Schedule 5.1(d) Subsidiaries and Affiliates

EXHIBIT F

SEPARATION PLAN

1. SCOPE. This Plan shall be effective for a twelve (12) month period following the Closing as defined in the Plan and Agreement of Reorganization by and among Onsite Energy Corporation ("Onsite"), Westar Business Services, Inc. ("WBS"), and Westar Energy, Inc. (the "Agreement"). Any rights to benefits under this Plan shall expire at the end of such twelve (12) month period. This Plan is limited to Continuing Employees, as that term in defined in the Agreement. A copy of this Plan will be provided to each Continuing Employee.

2. DEFINITIONS. The following terms are defined for the purpose of this Plan only.

a. TERMINATION FOR CAUSE. "Termination for Cause" shall mean termination by Onsite upon any ground for which disciplinary action, including termination, is prescribed under any of Onsite's procedures or practices.

b. TERMINATION FOR GOOD REASON. Termination by the Continuing Employee of employment with Onsite for "Good Reason" shall mean termination based on one of the following events which Onsite has not corrected following thirty days' notice by the Continuing Employee:

(1) a reduction by Onsite in the Continuing Employee's compensation and benefits as specified in the Offer of Employment, as that term is defined in the Agreement;

(2) Onsite's requiring the Continuing Employee to report to a work location which is more than 35 miles from his/her work location immediately prior to the Closing (provided such new work location is not actually closer to the Continuing Employee's residence), except for reasonably required travel on Onsite's business.

In no event shall the Continuing Employee claim Termination for Good Reason more than thirty (30) days after the first occurrence of one of the events above.

c. CONTINUING EMPLOYEE. Each employee of WBS who accepts an Offer of Employment from Onsite and commences active full-time employment is referred to in this Agreement as a "Continuing Employee." An individual who rejects an Offer of Employment shall not become a "Continuing Employee," and Onsite shall have no obligation to such individual.

d. ELIGIBLE EMPLOYEE. "Eligible Employees" are determined under Section 3 and shall include only "Continuing Employees."

e. YEARS OF SERVICE. "Years of Service" shall mean, for the purpose of determining severance pay under this Plan, the number of years that an Eligible Employee has been employed by WBS or its subsidiaries or predecessor companies. This includes total years of employment with WBS, excluding any breaks in service. Partial years of service of more than six months shall be counted as full years, provided any single calendar year will be counted only once.

3. ELIGIBILITY. Continuing Employees shall be eligible for the benefits provided in Section 4 if, within 12 months after the Closing, their employment is terminated (other than by reason of death or disability entitling the employee to long-term disability benefits under Onsite's long-term disability plan) by the Continuing Employee for Good Reason, or by Onsite, other than for Termination for Cause. The benefits provided in this severance plan shall not accrue in the case of any employee termination (including voluntary termination) except as specified in this paragraph.

4. BENEFITS. Continuing Employees who become Eligible Employees pursuant to Section 3 above, shall be eligible for the following:

a. For Continuing Employees who were in WBS pay-grades 33, 32, 31 and 30, a payment in an amount equal to three (3) weeks of salary for each Year of Service, payable over time as such payment would have become due if the Continuing Employee had not been terminated. In no event shall such payments be less than thirteen (13) weeks of salary nor more than fifty-two (52) weeks of salary. For Continuing Employees in these pay-grades who remain unemployed at the end of the period that begins with the date of termination and continues for a number of weeks (including partial weeks if applicable) equal to the number of weeks of salary used to compute the Continuing Employee's severance described above, an additional payment in the amount equal to one week of salary for each Year of Service shall be paid over time as such payment would have become due if the Continuing Employee had not been terminated. In no event shall such additional payment be less than six (6) weeks of salary, nor more than thirteen (13) weeks of salary.

b. For Continuing Employees who were in WBS pay-grades 29, 28, 27, 26, 25, 24, 23, 22, 21 and 20, a payment in an amount equal to two (2) weeks of salary for each Year of Service, payable over time as such payment would have become due if the Continuing Employee had not been terminated. In no event shall such payment be less than thirteen (13) weeks of salary, nor more than thirty-nine (39) weeks of salary.

c. For non-exempt or hourly Continuing Employees, a payment in an amount equal to one and one-half (1 1/2) weeks of wages for each Year of Service, payable over time as such payment would have become due if the Continuing Employee had not been terminated. In no event shall such payment be less than eight (8) weeks of wages, nor more than twenty-six (26) weeks of wages.

d. Continued medical and dental insurance coverage by Onsite on the same basis as other Continuing Employees of Onsite for a period of time equal to the Eligible

Employee's total weeks of severance pay. Such coverage may be discontinued earlier by Onsite in the event that the Eligible Employee becomes employed and the Eligible Employee's new employer has a comparable insurance program. The comparability of the new employer's program to that of Onsite is to be determined by Onsite.

5. NON-MITIGATION. No Continuing Employee shall be required to mitigate, by seeking employment or otherwise, the amount of any payment that Onsite becomes obligated to make under this plan. However, the benefits accruing pursuant to this Plan to an Eligible Employee shall cease upon the employment of such Eligible Employee by Westar Energy, Inc. or Western Resources, Inc. within twelve months of termination of employment with Onsite.

6. MISCELLANEOUS. Onsite may deduct from all severance payments any taxes required by law to be withheld therefrom and any required employee contributions for medical or dental coverage for the period of time that it is continued.

7. COST OF ENFORCEMENT. Onsite will pay all attorneys' fees and other costs incurred by a Continuing Employee to enforce any provision of this Separation Plan.

NOTHING IN THIS SEPARATION PLAN NOR THE AGREEMENT AND PLAN OF REORGANIZATION SHALL BE CONSTRUED AS GIVING ANY PERSON THE RIGHT TO BE RETAINED IN THE EMPLOYMENT OF ONSITE, WBS OR WESTAR ENERGY. NOTHING IN THIS SEPARATION PLAN OR THE AGREEMENT AND PLAN OF REORGANIZATION SHALL AFFECT THE RIGHT OF ONSITE OR WBS TO DISMISS AN EMPLOYEE FOR ANY REASON WITHOUT LIABILITY. THE EMPLOYEES SUBJECT TO THIS PLAN ARE EMPLOYEES AT WILL OF WBS OR ONSITE AND NOTHING IN THIS PLAN OR THE EMPLOYMENT AGREEMENT SHALL BE CONSTRUED AS A CONTRACT OF EMPLOYMENT, IMPLIED OR OTHERWISE.

Plan and Agreement of Reorganization

Schedule 5.1(d)

Onsite Subsidiaries and Affiliates

Current Subsidiaries:

1) Western Energy Management, Inc. (Inactive)

Current Partnerships/Joint Ventures:

1) American Private Power II -- Onsite is General Partner of an inactive partnership

2) Silent Joint Venture with G. L. Griffin Co., Inc. for performance bond related to contract with State of Washington

3) Joint Venture Letter of Agreement with NESI - joint development of energy performance contracts with specific customers

4) PRM Alliance Agreement - Agreement to provide marketing services and jointly develop opportunities for power management services and energy efficiency projects

Ownership Interests:

1) National Energy Service Companies Preferred Product Group, LLC - Onsite is a founding member of an LLC which is negotiating purchasing agreements with manufacturers of energy efficient equipment

October 31, 1997

Westar Energy, Inc.
P. O. Box 889
818 Kansas Avenue
Topeka, KS 66601

Re: Onsite Energy Corporation
Opinion Letter Pursuant to Plan and Agreement of
Reorganization

Ladies and Gentlemen:

We act as counsel for Onsite Energy Corporation, a Delaware corporation (the "Company"), in connection with the Plan and Agreement of Reorganization dated October 28, 1997, by and among the Company, Westar Business Services, Inc., a Kansas corporation ("WBS"), Westar Energy, Inc. ("Westar Energy"), and Westar Capital, Inc. ("Agreement"). This letter is delivered to Westar Energy at the request of the Company pursuant to Section 3.3(e) of the Agreement. Except as otherwise defined herein, the capitalized terms in this letter shall have the meanings ascribed to them in the Agreement.

This Opinion Letter is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, and this Opinion Letter should be read in conjunction therewith. In addition, this Opinion Letter shall be governed by, and shall be interpreted in accordance with, the "California Provisions" and the "California Generic Exception" as defined in the Business Law Section of the California State Bar Report on the Third-Party Legal Opinion Report of the ABA Section of Business Law (dated May 1992), and is therefore subject to a number of additional qualifications, exceptions, and understandings, all as more particularly described in the California Provisions and California Generic Exception, and this Opinion Letter should also be read in conjunction therewith. The law covered by the opinions expressed herein is limited to the Federal Law of the United States and the Law of the States of California and Delaware.

Whenever our opinion herein with respect to the existence or absence of facts or circumstances is qualified by the phrase "to the best of our knowledge", it is intended to indicate that during the course of our representation, no information has come to our attention that would give us actual knowledge of the existence of such facts or circumstances. However, we have not undertaken any special or independent investigation to determine the existence or absence of such facts or circumstances, and no inference as to our knowledge of the existence of such facts or circumstances should be drawn merely from our representation herein.

Based upon and subject to the foregoing, as of the date hereof, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, has all requisite corporate power and authority to carry on its business as now conducted, and to own, lease and operate any properties related to its business, except where the failure to have such power and authority would not have a material adverse effect. The Company is qualified to do business as a foreign corporation in the State of California, and to our knowledge, in all other jurisdictions in which such qualification is required other than those in which failure to qualify would not have a material adverse effect on the Company's operations or financial condition.

2. The Company has all requisite legal and corporate power to execute and deliver the Agreement and to carry out and perform its obligations under the Agreement.

3. The Agreement, when executed and delivered, constitutes a valid, legally binding and enforceable obligation of the Company, except as the enforceability may be subject to or limited by laws of general application relating to bankruptcy, insolvency or the relief of debtors and other laws of general application affecting enforcement of creditors' rights generally, or rules of law and principles of equity governing specific performance, injunctive relief or other equitable remedies, regardless of whether such enforceability is considered in a proceeding in equity or at law.

4. The execution, delivery and performance of the Agreement by the Company will not result in a violation of any provision of

its Certificate of Incorporation or Bylaws as in effect on and as of the Closing Date or, to our knowledge, of any provision of any material mortgage, indenture, agreement, instrument or contract to which it is a party, of any provision of any federal or state judgment, writ, decree, order, statute, rule or governmental regulation applicable to the Company in any manner which would be material to the Agreement, the conduct of the Company's business or its financial condition.

5. The Common Stock, when sold, issued, and delivered for the consideration expressed in, and in compliance with, the provisions of the Agreement will be duly authorized, validly issued, fully paid and nonassessable.

The phrase "Primary Lawyer Group," as used in the Accord, is hereby modified and for purposes of applying the Accord to this Opinion Letter the Primary Lawyer Group means Scott E. Bartel, Esq.
and Daniel B. Eng, Esq. of our firm.

Our opinion is limited solely to matters set forth herein. This letter is provided to you solely for your benefit and in connection with the transactions provided for in or contemplated by the Agreement, and shall not be relied upon by any other person or for any other purpose without our prior written consent.

Very truly yours,

# STOCK SUBSCRIPTION AGREEMENT

THIS STOCK SUBSCRIPTION AGREEMENT (the "Agreement"), dated as of October 28, 1997, is made and entered into by and between Onsite Energy Corporation, a Delaware corporation (the "Company"), and Westar Capital, Inc., a Kansas corporation (the "Investor").

W I T N E S S E T H

WHEREAS, the Company, in order to finance its operations, desires to issue an aggregate of Two Million (2,000,000) shares of its Class A Common Stock (the "Onsite Common Stock") and Two Hundred Thousand (200,000) shares of its Series C Convertible Preferred Stock (the "Onsite Preferred Stock") (collectively, the "Onsite Stock") to the Investor upon the terms and conditions contained herein; and

WHEREAS, Investor desires to purchase Two Million (2,000,000) shares of the Onsite Common Stock and Two Hundred Thousand (200,000) shares of the Onsite Preferred Stock upon upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, warranties, covenants, and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. CONTEMPLATED TRANSACTIONS AND CLOSING.

1.1. Purchase of Common Stock. Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date (as provided for in Section 1.5), the Investor shall purchase from the Company, and the Company shall issue and sell to the Investor, two million (2,000,000) shares of the Company's Class A Common Stock, par value $0.001 per share (the "Onsite Common Stock"). The purchase of the Onsite Common Stock shall occur at the Closing as specified in Section 1.5.

1.2. Consideration for Onsite Common Stock. In consideration of the purchase in Section 1.1, at the Closing specified in Section 1.5, the Investor shall pay to the Company $0.50 per share in immediately available United States Dollars, in an aggregate amount equal to One Million Dollars ($1,000,000) for the Onsite Common Stock.

1.3. Purchase of Series C Convertible Preferred Stock. Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date (as provided for in Section 1.5), the Investor shall purchase from the Company, and the Company shall issue and sell to the Investor, two hundred thousand (200,000) shares of the Company's Series C Convertible



Preferred Stock, par value $0.001 per share (the "Onsite Preferred Stock"). The purchase of the Onsite Preferred Stock shall occur at the Closing as specified in Section 1.5.

1.4. Consideration for Onsite Preferred Stock. In consideration of the purchase in Section 1.3, at the Closing specified in Section 1.5, the Investor shall pay to the Company $5.00 per share in immediately available United States Dollars, in an aggregate amount equal to One Million Dollars ($1,000,000) for the Onsite Preferred Stock.

1.5. The Closing; Closing Date. The transactions contemplated hereby shall be consummated at a closing (the "Closing"), which shall take place simultaneously at 7:30 A.M. Pacific Standard Time on October 31, 1997, at the offices of Bartel Eng Linn & Schroder, 300 Capitol Mall, Suite 1100, Sacramento, California 95814, the offices of the Company, 701 Palomar Airport Road, Suite 200, Carlsbad, California 92009, and the offices of the Investor, 818 Kansas Avenue, Topeka, Kansas 66612. The Closing may also be held at such other time and place as may be agreed upon by the parties. The date of the Closing is referred to herein as the "Closing Date" and all transactions contemplated herein to occur at the Closing shall be deemed to occur on the Closing Date and

all transfers and assignments of title shall vest and be deemed effective on the Closing Date.

1.6. Deliveries at the Closing. Upon the terms and conditions set forth in this Agreement, the Investor and the Company shall make the following deliveries at the Closing on the Closing Date:

1.6.1. Deliveries by the Investor at the Closing. At or before the Closing, the Investor shall deliver to the Company the following:

(a) Two Million Dollars ($2,000,000) in immediately available United States funds in cash or by a wire transfer in accordance with written instructions from the Company; and

(b) a certificate, executed by the Investor and dated as of the Closing Date, certifying that all of the representations and warranties set forth in Section 3 hereof are true and correct in all material respects and that all of the conditions set forth in Section 4 hereof have been satisfied.

1.6.2. Deliveries by the Company at the Closing. At the Closing, the Company shall deliver to the Investor the following:

(a) Share certificates evidencing two million (2,000,000) shares of the Onsite Common Stock issued in the name of the Investor;

(b) share certificates evidencing two hundred thousand (200,000) shares of the Onsite Preferred Stock issued in the name of the Investor;

(c) a certificate, executed by the Company and dated as of the Closing Date, certifying that all of the representations and warranties set forth in Section 2 hereof are true and correct in all material respects and that all of the conditions set forth in Section 5 hereof have been satisfied; and

(d) an opinion of counsel in the form attached hereto as Exhibit A.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to Investor that:

2.1. Due Organization: Good Standing and Corporate Power. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business, and to own, lease and operate any properties related to such business, except where the failure to have such power and authority would not individually or in the aggregate have a Material Adverse Effect (as defined below). The Company is duly qualified or licensed to do business and in good standing in the State of California. For purposes of this Agreement, a "Material Adverse Effect" shall mean an event that could reasonably be expected to have a material adverse effect on the business of the Company, or on its results of operations, properties or financial condition; for purposes of this definition, any event which reasonably could be expected to result in a potential liability to the Company either individually or in the aggregate in excess of Fifty Thousand Dollars ($50,000) will be deemed to have a Material Adverse Effect.

2.2. Capitalization. The Company's authorized capital stock consists of (a) 24 million shares of Common Stock, $0.001 par value, of which 23,999,000 are designated Class A Common Stock, of which 10,944,172 are currently outstanding and held by approximately 217 shareholders of record, and (b) one million shares of preferred stock, $0.001 par value, of which none are issued and currently outstanding. Schedule 2.2 sets forth the names and share ownership of each Company shareholder owning over 5% of Company's outstanding common stock as of the date of this Agreement. Except as set forth in the notes to the financial statements contained in the Company's Form 10-KSB for the year ended June 30, 1997, there are no equity securities or debt obligations of the Company authorized, issued or outstanding and there are no outstanding options, warrants, agreements, contracts, calls, commitments or demands of any character, preemptive or otherwise, other than this Agreement, relating to any of the Company's capital stock, there is no outstanding security of any kind convertible into the Company's capital stock, and there is no outstanding security with a claim on dividends prior or senior to the Onsite Preferred Stock.

2.3. Authorization.

2.3.1. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the sale and issuance of the Onsite Stock pursuant hereto and the

performance of the Company's obligations hereunder has been taken or will be taken prior to the Closing.

2.3.2. The Onsite Stock, when issued, sold and delivered for the consideration expressed and in compliance with the provisions of this Agreement, will be duly authorized, validly issued, fully paid and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement and under applicable federal and state securities laws.

2.4. No Conflict; No Consents or Approvals Required. Neither the execution and delivery of this Agreement by the Company, nor the consummation by the Company of the transactions contemplated hereby will:

(a) conflict with or violate any provision of the Certificate of Incorporation or Bylaws of the Company;

(b) conflict with or violate any law, rule, regulation, ordinance, order, writ, injunction, judgment or decree applicable to the Company or by which it or any of its properties or assets are bound or affected; or

(c) conflict with or result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of any lien, charge or encumbrance on any of the respective properties or assets of it pursuant to any of the terms, conditions or provisions of, any material note, bond, mortgage, indenture, deed of trust, lease, permit, license, franchise, authorization, agreement or other instrument or obligation to which the Company is a party or by which the Company or any of its properties or assets is bound or affected.

2.5. Litigation. There is no action, suit, proceeding, or investigation pending or, currently threatened against the Company which questions the validity of this Agreement or the right of the Company to enter into it, or to consummate the transactions contemplated hereby, or which might have, either individually or in the aggregate, a Material Adverse Effect. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

2.6. Title to Properties and Assets. Except for the security interests granted to those persons specified in Schedule 2.6, and except for liens for taxes not yet due and payable, the Company has good and marketable title to all of its properties and assets used in and necessary to the conduct of its business and has good and marketable title to its leasehold interests, in each case subject to no material mortgage, pledge, lien or encumbrance.

2.7. Financial Statements. The Company has made available to the Investor a true and complete copy of the audited financial statements of the Company, for the fiscal years ended

June 30, 1995, June 30, 1996 and June 30, 1997, and related statements of income and cash flows for the years ended June 30, 1995, June 30, 1996 and June 30, 1997 and changes in stockholders' equity for the period from July 1, 1994 to June 30, 1997, as contained in the Company's Annual Reports on Form 10-KSB for the fiscal years ended June 30, 1997 and June 30, 1996. All such financial statements are complete and correct, are in accordance with the books and records of the Company, present fairly the financial condition for the periods indicated, and have been prepared in accordance with generally accepted accounting principles ("GAAP") applied on a basis consistent with past practice.

2.8. No Material Adverse Change. Since the Company's report on Form 10-KSB for the fiscal year ended June 30, 1997, there has been no material adverse change in the business, operations or financial condition or prospects of the Company.

2.9. Reports and Other Information. All material reports, documents and information required to be filed with the Securities and Exchange Commission with respect to the Company have been filed. Since January 1, 1996, the Company has made all filings required to be made in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and such did not omit to state any material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made as of their respective dates of filing.

2.10. Statements and Reports True and Correct. The financial statements identified in Section 2.7 were and are true and correct as of the dates thereof. The financial statements identified in Section 2.7 contain no untrue statements of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

3. REPRESENTATIONS AND WARRANTIES OF INVESTOR.

The Investor represents and warrants that:

3.1. Authorization. All action on the part of the Investor, including any action by its officers, directors and stockholders, necessary for the purchase of the Onsite Stock pursuant hereto and the performance of the Investor's obligations hereunder has been taken or will be taken prior to the Closing.

3.2. Purchase Entirely for Own Account. This Agreement is made with the Investor in reliance upon such Investor's representation to the Company, which by the Investor's execution of this Agreement the Investor hereby confirms, that the Onsite Stock to be purchased by the Investor will be acquired for investment purposes for the Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of applicable federal and state securities laws. By executing this Agreement, the Investor further represents that the Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any

third person, with respect to any of the Onsite Stock. A transfer of the Onsite Stock to an Affiliate by Investor shall not be deemed to be a violation of this provision. As used herein, the term "Affiliate" shall mean, with respect to any person, any other person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with such person.

3.3. Reliance Upon Investor's Representations. Investor understands that the Onsite Stock has not been registered under the Securities Act on the grounds that the transactions contemplated by this Agreement and the issuance of the Securities hereunder is exempt from registration under the Securities Act pursuant to Section 4(2) thereof, and Regulation D promulgated thereunder, and that the Company's reliance on such exemption is predicated on the Investor's representations set forth herein.

3.4. Receipt of Information. The Investor has received information and had the opportunity to ask questions of the Company's management and has considered such information in evaluating the terms and conditions of the offering of the Onsite Stock, and the business, properties, prospects and financial condition of the Company, and in deciding to accept the Onsite Stock. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 hereof or the right of the Investor to rely thereon.

3.5. Investment Experience. The Investor represents that it is experienced in evaluating and investing in securities of companies and acknowledges that it is able to fend for itself, can bear the economic risk of the investment, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment in the Onsite Stock. The Investor further represents that it has not been organized solely for the purpose of acquiring the Onsite Stock.

3.6. Accredited Investor. The Investor represents that it is an "accredited investor" as that term is defined in Regulation D, 17 C.F.R. 230.501(a).

3.7. Restricted Securities. The Investor understands that the Onsite Stock issued, or to be issued, hereunder may not be sold, transferred, or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Onsite Stock, or an available exemption from registration under the Securities Act, the Onsite Stock must be held indefinitely. In particular, the Investor is aware that the Onsite Stock may not be sold pursuant to Rule 144, 17 C.F.R. 230.144, unless all of the conditions of that Rule are met.

4. CONDITIONS OF INVESTOR'S OBLIGATIONS AT CLOSING.

The obligations of the Investor under this Agreement are subject to the fulfillment on or before the Closing Date of each of the following conditions, the waiver of which shall not be effective against the Investor unless consented to by Investor in writing:

4.1. Representations and Warranties. The representations and warranties of the Company contained in Section 2 hereof shall be true and correct in all material respects on and as of the Closing Date.

4.2. Performance. The Company shall have performed and complied with all agreements, obligations, and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing Date.

4.3. Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Onsite Stock pursuant to this Agreement shall be duly obtained and effective as of the Closing Date.

4.4. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated to occur on the Closing Date and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor, or Investor's counsel, as the case may be.

4.5. Execution of Related Agreements. The following agreements between the parties shall have been executed and delivered between the parties to such agreements:

(a) the Stockholders Agreement attached hereto as Exhibit B between the Investor and Onsite Stockholders (as defined in such agreement). All such action shall have been taken as may be necessary to elect Investor's designee to the Board of Directors of the Company, effective upon Closing, as provided in the Stockholders Agreement;

(b) the Registration Rights Agreement attached hereto as Exhibit C between Company and Investor; and

(c) the Plan and Agreement of Reorganization between the Company, Westar Business Services, Inc., Westar Energy, Inc., and Westar Capital, Inc.

5. CONDITIONS OF THE COMPANY'S OBLIGATIONS AT CLOSING.

The obligations of the Company to the Investor under this Agreement are subject to the fulfillment on or before the Closing Date of each of the following conditions by the Investor, the waiver of which shall not be effective unless consented thereto in writing:

5.1. Representations and Warranties. The representations and warranties of the Investor contained in Section 3 hereof shall be true and correct in all material respects on and as of the Closing Date.

5.2. Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Onsite Stock pursuant to this Agreement shall be duly obtained and effective as of the Closing Date.

5.3. Performance. The Investor shall have performed and complied with all agreements, obligations, and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing Date.

6. RESTRICTIONS ON TRANSFERABILITY OF SECURITIES; COMPLIANCE WITH SECURITIES ACT.

6.1. Restrictions on Transferability. The Onsite Stock shall not be transferable, except upon the conditions specified in this Section. The Investor will cause any successor or proposed transferee of the Onsite Stock to agree to take and hold the Onsite Stock subject to the conditions specified in this Section. The Investor acknowledges the restrictions upon its right to transfer the Onsite Stock set forth in this Section.

6.2. Restrictive Legend. Each certificate representing the Onsite Stock shall (unless otherwise permitted or unless the securities evidenced by such certificate shall have been registered under the Securities Act) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

Upon request of the holder of such a certificate, the Company shall remove the foregoing legend from the certificate or issue to such holder a new certificate therefor free of any transfer legend, if, with such request, the Company shall have received the opinion referred to in Section 6.3.1.

6.3. Notice of Proposed Transfer.

6.3.1. Notice. Prior to any proposed transfer of any of the Onsite Stock, the Investor shall give written notice to the Company of its intention to effect such transfer. Each such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall be accompanied by a written opinion of legal counsel reasonably satisfactory to the Company, addressed to the Company and reasonably satisfactory in form and substance to the Company's counsel, to the effect that the proposed transfer of the Onsite Stock may be

effected without registration under the Securities Act, whereupon the Investor shall be entitled to transfer the Onsite Stock, subject to the restrictions contained in this Agreement, in accordance with the terms of the notice delivered by the Investor to the Company.

6.3.2. Certificate for Transferred Onsite Stock. Each certificate evidencing the Onsite Stock transferred as above provided shall bear the appropriate restrictive legend set forth in Section 6.2 above, except that such certificate shall not bear such restrictive legend if the opinion of counsel referred to above is to the further effect that such legend is not required in order to establish compliance with any provisions of the Securities Act. Each transferee of the Onsite Stock shall agree with respect to those securities to be bound by the terms of this subsection.

6.4. Standstill Agreement.

6.4.1. Investor agrees that for a period of five (5) years from the date of this Agreement (the "Standstill Period"), except as otherwise permitted or contemplated by this Agreement, Investor will not, directly or indirectly, nor will it permit any of its affiliates, as that term is defined in Section 3.2 hereof, to, from or after the date such person becomes an affiliate, without the prior approval of a majority vote of the directors of the Company's board of directors (a "Requisite Board Vote") who are not the designated directors of the Investor or otherwise affiliates of Investor (the "Disinterested Directors") do any of the following:

(a) acquire, or offer to acquire, whether by purchase, gift or by joining a partnership or other group (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), any shares of the Company's common or preferred stock (collectively, the "Voting Stock"), securities convertible into, exchangeable for, or exercisable for Voting Stock which would result in the Investor holding in excess of forty-five percent (45%) of the Company's outstanding securities on a fully diluted basis at the time of any such proposed acquisition, except as contemplated by this Agreement; or

(b) (i) solicit, initiate or participate in any "solicitation" of "proxies" or become a "participant" in any "election contest" (as such terms are defined or used in Regulation 14A under the Exchange Act, disregarding clause (iv) of Rule 14a-1(1)(2) and including any exempt solicitation pursuant to Rule 14a-2(b)(1)); call, or in any way participate in a call, for any special meeting of stockholders of the Company (or take any action with respect to acting by written consent of the stockholders); request or take any action to obtain or retain any list of holders of any securities of the Company; initiate or propose any stockholder proposal or participate in the making of, or solicit stockholders for the approval of, one or more stockholder proposals relating to the Company's Voting Stock; (ii) deposit any Voting Stock in a voting trust or subject them to any voting agreement or arrangements, except as provided for herein; (iii) form, join, or in any way participate in a group with respect to any shares of Voting Stock, or any

securities the ownership thereof would make the owner a beneficial owner of Voting Stock; (iv) otherwise act to control or influence the Company or the management, the Disinterested Directors, policies or affairs of the Company; (v) disclose any intent, purpose, plan or proposal with respect to this Agreement or the Company, its affiliates or the board of directors, management, policies, or affairs or securities or assets of the Company or its affiliates that is securities or assets of the Company or its Affiliates that is not consistent with this Agreement or the Purchase Agreement, including any intent, purpose, plan or proposal that is conditioned upon, or that would require the Company or any of its Affiliates to make public disclosure relating to any such intent, purpose, plan, proposal or condition; or (vi) assist, advise, encourage or act in concert with any person with respect to, or seek to do, any of the foregoing.

6.4.2. If, at any time four or more quarterly dividends, whether or not consecutive, on the Series C Convertible Preferred Stock shall be in default, in whole or in part, if the Investor has exercised its rights to elect a majority of the directors of the Company's board, all directors shall be entitled to vote pursuant to Section 6.4.1 above. Such modification to the provisions of Section 6.4.1 shall continue until all dividends accrued on the Series C Convertible Preferred Stock shall have been paid or set apart for payment, at which time Section 6.4.1 shall again be in force as written.

6.4.3. Nothing in this Agreement shall preclude or prevent Investor from making a counter-offer to acquire the Company in the event that a third party makes an unsolicited bona fide publicly announced offer to acquire control of the Company pursuant to a tender offer, merger, consolidation, share exchange, purchase of a substantial portion of assets, business combination or other similar transaction (a "Third Party Offer") and (B) the Company thereafter (i) issues a statement recommending the Third Party Offer to its shareholders or (ii) the Company either issues a statement not recommending the Third Party Offer or takes no position with respect to such offer but is required by a court to furnish the party making the Third Party Offer a list of shareholders of the Company.

6.5. Investor's Preemptive Rights. The Company hereby grants to the Investor the right, on the terms (including the limitations contained in Section 6.4) set forth below, to purchase the Investor's pro rata share of New Securities (as defined below) which the Company may, from time to time, propose to sell and issue for cash or other consideration. The pro rata share is the ratio of (x) the underlying Common Stock and Preferred Stock on a fully diluted basis held by the Investor at the time the New Securities are to be sold, or otherwise transferred, to (y) the total number of shares of common stock then issued and outstanding plus the number of shares of underlying common stock represented by all then outstanding securities convertible at a price below the then Average Closing Price, as that term is defined in Section 7.1, into or exercisable at a price below the then Average Closing Price, as that term is defined in Section 7.1, for shares of common stock held by any Person. The right shall be subject to the following provisions:

In the case of securities to be issued pursuant to the acquisition of another corporation or entity by the Company by merger, purchase of all or substantially all of the assets or other reorganization whereby the Company shall become the owner of more than 50% of the voting power of such corporation, the price at which the Investor may exercise its pre-emption rights shall be the Average Closing Price, as that term is defined in Section 7.1, for the twenty day period ending the day before a public announcement of the merger or other transaction is made; provided, however, that prior to December 31, 1998, such price shall be at least $1.00, but not more than $2.00.

"New Securities" shall mean any authorized but unissued shares, and any treasury shares, of capital stock of the Company and all rights, options or warrants to purchase capital stock, and securities of any type whatsoever that are, or may become, convertible into Common Stock; provided, however, that the term "New Securities" does not include:

- securities issued under this Agreement;

- shares of Class A Common issued upon conversion of options and warrants issued and outstanding as of the Closing Date;

- securities issued in connection with any stock split, stock dividend or reclassification of Class A Common distributable on a pro rata basis to all holders of Class A Common;

- shares of Class A Common issued pursuant to options outstanding and/or granted after the date hereof to any senior management personnel or directors or pursuant to any Employee Benefit Plan as that term is defined in SEC Rule 405 entered into by the Company and approved by the Company's Board of Directors.

In the event the Company proposes to undertake an issuance of New Securities, it shall give the Investor reasonable written notice of its intention, describing the type of New Securities, the consideration and the general terms upon which the Company proposes to issue the same. The Investor shall have a reasonable time under the circumstances to agree to purchase its pro rata share of such New Securities for the cash or cash equivalent consideration and upon the general terms specified in the notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased. The New Securities shall be purchased simultaneously with the closing of the offering of the New Securities if practical, but in no event later than 15 days after the closing at the Company's election.

The purchase rights granted under this Section shall be exercisable only by the Investor and its successors but not its assigns, unless such assign is an affiliate of the Investor. Upon request of the Investor or its successors, the Company will promptly inform the requesting party in writing of (x) the number of shares of common stock issued and outstanding and (y) the number of shares of underlying common stock represented by then outstanding securities convertible into or exercisable for shares of common stock held by any Person, in each case as

of the date of such notice by the Company. The right of the Investor or successor to the private preemptive right herein provided shall be determined on the basis of the information contained in such notice, irrespective of any exercise of options or conversion rights or like rights to acquire shares of Common Stock of the Company after the date of such notice.

7. ADDITIONAL COVENANTS OF THE PARTIES.

7.1. Right to Purchase Additional Shares of Class A Common Stock. Investor may, at its option and upon notice to the Company, between June 30, 1998 and December 31, 1998, purchase an additional two million shares of Class A Common Stock at a per share price equal to the Average Closing Price of the Class A Common Stock, but in no event less than $1.00 per share nor greater than $2.00 per share. The purchase of the additional shares shall be completed within 5 business days.

"Average Closing Price" shall mean the average closing price for the Company's Class A Common Stock for a period of 20 consecutive trading days as quoted on a national securities exchange, or, if the Company's Class A Common Stock is not traded on a national securities exchange, then on the NASDAQ Stock Market, or, if the Company's Class A Common Stock is not traded on the NASDAQ Stock Market, then on the OTC Bulletin Board or similar public market.

7.2. Call for Additional Shares of Series C Convertible Preferred Stock. Provided that the Company is not in default with respect to the dividends on the Series C Convertible Preferred Stock, the Company may, at its option and upon 10 business days' written notice to the Investor, until December 31, 1998, require Investor to purchase up to an additional four hundred thousand shares of Series C Convertible Preferred Stock at $5.00 per share, using up to two separate calls of at least 100,000 shares each, but limited to one such call per quarter. The purchase of the additional shares shall be completed within 5 business days.

7.3. Securities Law Filings Undertaking. So long as the Investor is a holder of the Company's common stock or preferred stock, the Company will use its best efforts to maintain adequate public information as is necessary or appropriate such that the Company qualifies to use a Form S-3 Registration Statement and such that the Investor may transfer any of the Company's common stock or preferred stock held by it pursuant to Rule 144 under the Securities Act. All such filings shall be made at the Company's expense.

8. REGISTRATION RIGHTS.

8.1. Demand and Piggy-back Rights. The Company shall enter into a Registration Rights Agreement in the form attached hereto as Exhibit C, pursuant to which the Investor shall be granted demand registration rights and piggy-back registration rights.

9. MISCELLANEOUS

9.1. Entire Agreement. This Agreement and the schedules and other documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

9.2. Survival of Warranties. The warranties, representations and covenants of the Company and the Investor, jointly and severally, contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing Date.

9.3. Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9.5. Counterparts. This Agreement may be executed in one or more counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by a party and sent to the other parties via facsimile transmission and the facsimile transmitted copy shall have the same integrity, force and effect as an original document.

9.6. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.7. Notices. All notices or other communications required hereunder shall be in writing and shall be sufficient in all respects and shall be deemed delivered after 5 days if sent via registered or certified mail, postage prepaid; the next day if sent by overnight courier service; or one business day after transmission, if sent by facsimile, to the following:

If to Company : Onsite Energy Corporation
701 Palomar Airport Rd., #200
Carlsbad, CA 92009
Attn: Richard T. Sperberg
Fax: (760) 931-2405

with copies to: Bartel Eng Linn & Schroder
300 Capitol Mall, Suite 1100
Sacramento, CA 95814
Attn: Scott E. Bartel, Esq.
Fax: (916) 442-3442

If to Investor: Westar Capital, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Attn: Rita A. Sharpe
Fax: (785) 575-1771

with copies to: Westar Capital, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Attn: John K. Rosenberg
Fax: (785) 575-1788

Any party hereto may change its address for purposes hereof by notice to all other parties hereto.

9.8. Dispute Resolution. No party to this Agreement shall be entitled to take legal action with respect to any dispute relating hereto until it has complied in good faith with the following alternative dispute resolution procedures. This Section shall not apply to the extent it is deemed necessary to take legal action immediately to preserve a party's adequate remedy.

9.8.1. Negotiation. The parties shall attempt promptly and in good faith to resolve any dispute arising out of or relating to this Agreement, through negotiations between representatives who have authority to settle the controversy. Any party may give the other party written notice of any such dispute not resolved in the normal course of business. Within 20 days after delivery of the notice, representatives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange information and to attempt to resolve the dispute, until the parties conclude that the dispute cannot be resolved through unassisted negotiation. Negotiations extending sixty days after notice shall be deemed at an impasse, unless otherwise agreed by the parties.

If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiator(s) shall be given at least three working days' notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal and state Rules of Evidence.

9.8.2. ADR Procedure. If a dispute with more than $20,000.00 at issue has not been resolved within 60 days of the disputing party's notice, a party wishing resolution of the dispute ("Claimant") shall initiate assisted Alternative Dispute Resolution ("ADR) proceedings as described in this Section. Once the Claimant has notified the other ("Respondent") of a desire to initiate ADR proceedings, the proceedings shall be governed as follows: By mutual agreement, the parties shall select the ADR method they wish to use. That ADR method may include arbitration, mediation, mini-trial, or any other method which best suits the circumstances of the dispute. The parties shall agree in writing to the chosen ADR method and the procedural rules to be followed within 30 days after receipt of notice of intent to initiate ADR proceedings. To the extent the parties are unable to agree on procedural rules in whole or in part, the current Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes, CPR Model Mini-trial Procedure, or CPR Commercial Arbitration Rules--whichever applies to the chosen ADR method--shall control, to the extent such rules are consistent with the provisions of this Section. If the parties are unable to agree on an ADR method, the method shall be arbitration.

The parties shall select a single Neutral third party to preside over the ADR proceedings, by the following procedure: Within 15 days after an ADR method is established, the Claimant shall submit a list of 5 acceptable Neutrals to the Respondent. Each Neutral listed shall be sufficiently qualified, including demonstrated neutrality, experience and competence regarding the subject matter of the dispute. A Neutral who is an attorney or former judge shall be deemed to have adequate experience. None of the Neutrals may be present or former employees, attorneys, or agents of either party. The list shall supply information about each Neutral, including address, and relevant background and experience (including education, employment history and prior ADR assignments). Within 15 days after receiving the Claimant's list of Neutrals, the Respondent shall select one Neutral from the list, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Respondent, the Respondent shall submit a list of 5 Neutrals, together with the above background information, to the Claimant. Each of the Neutrals shall meet the conditions stated above regarding the Claimant's Neutrals. Within 15 days after receiving the Respondent's list of Neutrals, the Claimant shall select one Neutral, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Claimant, then the parties shall request assistance from the Center for Public Resources, Inc., to select a Neutral.

The ADR proceeding shall take place within 30 days after the Neutral has been selected. The Neutral shall issue a written decision within 30 days after the ADR proceeding is complete. Each party shall be responsible for an equal share of the costs of the ADR proceeding. The parties agree that any applicable statute of limitations shall be tolled during the pendency of the ADR proceedings, and no legal action may be brought in connection with this Agreement during the pendency of an ADR proceeding.

The Neutral's written decision shall become final and binding on the parties, unless a party objects in writing within 30 days of receipt of the decision. The objecting party may then

file a lawsuit in any court allowed by this Agreement. The Neutral's written decision shall be admissible in the objecting party's lawsuit.

9.9. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the parties. Any amendment or waiver effected in accordance with this paragraph shall be binding upon the Investor, its successors or assigns, and each future holder of such securities and the Company. A waiver by any party hereto of a default in the performance of this Agreement shall not operate as a waiver of any future or other default, whether of a like or different kind.

9.10. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the parties shall use their efforts to substitute provisions of substantially the same effect. The balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.11. Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by a party and sent to the other parties via facsimile transmission and the facsimile transmitted copy shall have the same integrity, force and effect as an original document.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

Onsite Energy Corporation

By:
Richard T. Sperberg, President

INVESTOR:

Westar Capital, Inc.

By:
Rita A. Sharpe, President

Stock Subscription Agreement
Schedule 2.2

Onsite Shareholders (Greater than 5% Ownership)
(as of 10/28/97)

| Name | Share Ownership |
|---|---|
| ProActive Partners, L.P. | 1,599,172 |
| Lagunitas Partners, L.P. | 820,477 |
| Richard T. Sperberg | 1,810,912 |
| William M. Gary | 1,725,912 |

Stock Subscription Agreement
Schedule 2.6

Security Interest in Onsite Assets

| Secured Party | Assets Subject to Security Interest |
|---|---|
| EUA Cogenex Corp. | Contracts and revenues associated with SCE DSM contract and associated security deposits |
| Copelco Capital/Minolta Business Systems | Copier |
| Ikon Capital/Cash-Lewis | Telecopier |
| Dana Commercial Credit | Computer equipment |
| ProActive Partners, L.P. | General security in all Onsite assets (securing Letter of Credit) |
| Richard T. Sperberg | General security in all Onsite assets (securing indemnification agreement) |

October 31, 1997

Westar Capital, Inc.
P. O. Box 889
818 Kansas Avenue
Topeka, KS 66601

Re: Onsite Energy Corporation
Opinion Letter Pursuant to Stock Subscription Agreement

Ladies and Gentlemen:

We act as counsel for Onsite Energy Corporation, a Delaware corporation (the "Company"), in connection with the Stock Subscription Agreement dated October 28, 1997, between Westar Capital, Inc., a Kansas corporation ("Westar"), and the Company ("Agreement"). This letter is delivered to Westar at the request of the Company pursuant to Section 1.6.2.(d) of the Agreement. Except as otherwise defined herein, the capitalized terms in this letter shall have the meanings ascribed to them in the Agreement.

This Opinion Letter is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, and this Opinion Letter should be read in conjunction therewith. In addition, this Opinion Letter shall be governed by, and shall be interpreted in accordance with, the "California Provisions" and the "California Generic Exception" as defined in the Business Law Section of the California State Bar Report on the Third-Party Legal Opinion Report of the ABA Section of Business Law (dated May 1992), and is therefore subject to a number of additional qualifications, exceptions, and understandings, all as more particularly described in the California Provisions and California Generic Exception, and this Opinion Letter should also be read in conjunction therewith. The law covered by the opinions expressed herein is limited to the Federal Law of the United States and the Law of the States of California and Delaware.

Whenever our opinion herein with respect to the existence or absence of facts or circumstances is qualified by the phrase "to the best of our knowledge", it is intended to indicate that during the course of our representation, no information has come to our attention that would give us actual knowledge of the existence of such facts or circumstances. However, we have not undertaken any special or independent investigation to determine the existence or absence of such facts or circumstances, and no inference as to our knowledge of the existence of such facts or circumstances should be drawn merely from our representation herein.

Based upon and subject to the foregoing, as of the date hereof, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, has all requisite corporate power and authority to carry on its business as now conducted, and to own, lease and operate any properties related to its business, except where the failure to have such power and authority would not have a material adverse effect. The Company is qualified to do business as a foreign corporation in the State of California, and to our knowledge, in all other jurisdictions in which such qualification is required other than those in which failure to qualify would not have a material adverse effect on the Company's operations or financial condition.

2. The Company has all requisite legal and corporate power to execute and deliver the Agreement and to carry out and perform its obligations under the Agreement.

3. The Agreement, when executed and delivered, constitutes a valid, legally binding and enforceable obligation of the Company, except as the enforceability may be subject to or limited by laws of general application relating to bankruptcy, insolvency or the relief of debtors and other laws of general application affecting enforcement of creditors' rights generally, or rules of law and principles of equity governing specific performance, injunctive relief or other equitable remedies, regardless of whether such enforceability is considered in a proceeding in equity or at law.

4. The execution, delivery and performance of the Agreement by the Company will not result in a violation of any provision of

its Certificate of Incorporation or Bylaws as in effect on and as of the Closing Date or, to our knowledge, of any provision of any material mortgage, indenture, agreement, instrument or contract to which it is a party, of any provision of any federal or state judgment, writ, decree, order, statute, rule or governmental regulation applicable to the Company in any manner which would be material to the Agreement, the conduct of the Company's business or its financial condition.

5. The Common Stock and Preferred Stock, when sold, issued, and delivered for the consideration expressed in, and in compliance with, the provisions of the Agreement will be duly authorized, validly issued, fully paid and nonassessable.

The phrase "Primary Lawyer Group," as used in the Accord, is hereby modified and for purposes of applying the Accord to this Opinion Letter the Primary Lawyer Group means Scott E. Bartel, Esq.
and Daniel B. Eng, Esq. of our firm.

Our opinion is limited solely to matters set forth herein. This letter is provided to you solely for your benefit and in connection with the transactions provided for in or contemplated by the Agreement, and shall not be relied upon by any other person or for any other purpose without our prior written consent.

Very truly yours,

STOCKHOLDERS AGREEMENT OF ONSITE ENERGY CORPORATION

THIS STOCKHOLDERS AGREEMENT, dated October 28, 1997 (the "Agreement"), is made and entered into by and among the following parties: (i) the shareholders of Onsite Energy Corporation identified in Exhibit A hereto (the "Onsite Shareholders"); and (ii) Westar Capital, Inc., a Kansas corporation ("Capital").

RECITALS

WHEREAS, Capital and Onsite Energy Corporation, a Delaware corporation ("Onsite") have entered into a Stock Subscription Agreement dated October 28, 1997 (the "Stock Subscription Agreement") pursuant to which, among other things, Westar shall acquire shares of the Class A Common Stock of Onsite, par value $0.001 ("Onsite Common Stock"), and shares of the Series C Convertible Preferred Stock of Onsite, par value $0.001 ("Onsite Preferred Stock");

WHEREAS, Section 4.5(a) of the Stock Subscription Agreement provides as a condition precedent to closing that the Onsite Shareholders and Capital shall have entered into a voting agreement wherein Capital shall have the right to elect one director, upon the initial issuance of the Onsite Common Stock, with rights to elect additional directors accruing as set forth herein;

WHEREAS, Capital and Onsite are parties to that certain Plan and Agreement of Reorganization dated October 28, 1997 (the "Reorganization Agreement") pursuant to which, among other things, Westar shall receive shares of the Class A Common Stock of Onsite, par value $0.001 ("Onsite Common Stock");

WHEREAS, Section 2.4 of the Reorganization Agreement also provides for a Stockholders Agreement; and

WHEREAS, the parties desire to enter into this Stockholders Agreement for the purpose of effectuating the intent of Section 4.5(a) of the Stock Subscription Agreement and Section 2.4 of the Reorganization Agreement.

NOW, THEREFORE, for the mutual promises contained herein and in the Stock Subscription Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Onsite Shareholders and Capital hereby AGREE AS FOLLOWS:

1. Shares Subject to Agreement. The number of shares of Onsite Common Stock listed opposite the names of the Onsite Shareholders in Exhibit A hereto shall be subject to this



Agreement. Exhibit A is incorporated herein and made a part of this Agreement by this reference. In addition, the number of shares of Onsite Common Stock listed opposite the name of Capital in Exhibit B hereto, and all Onsite Class A Common shares underlying the number of shares of Onsite Preferred Stock listed opposite the name of Capital in Exhibit B shall be subject to this Agreement. Exhibit B is incorporated herein and made a part of this Agreement by this reference.

2. Right to Nominate Directors. Upon the initial issuance of the Onsite Common Stock and Onsite Preferred Stock pursuant to the Stock Subscription Agreement, Capital shall have the right to recommend one director to the nominating committee of the Onsite board of directors. Thereafter, except as provided in this Agreement, Capital shall be entitled to recommend additional directors, calculated as if all of its stockholdings, and the stockholdings of its sister corporation, Westar Energy, Inc., a Kansas corporation ("Energy") had been converted into Onsite Common Stock and were voted cumulatively with all classes of Onsite's voting stock and as if the board of directors were not classified and all director terms were expiring; provided, however, that prior to conversion of Capital's preferred stock into Onsite Common Stock, the number of directors Capital shall be entitled to recommend shall be reduced by one below the number Capital would be entitled to recommend under cumulative voting, and provided further, that, during the term of this Agreement, the number of directors Capital is entitled to recommend in no event shall be

reduced below one.

Provided, however, that nothing provided herein shall reduce the right of the holders of the Series C Preferred Stock to elect additional directors in the event of default in payment of preferred dividends as provided in the Certificate of Designation of Series C Convertible Preferred Stock.

3. Agreement to Nominate Directors and Vote Shares. The parties agree that the nominating committee of the Onsite board of directors shall have the right to nominate the remaining directors for the board of Onsite. All shares subject to this Agreement as identified in Section 1 above shall vote in favor of all of the nominees of both Capital and the Onsite nominating committee at all elections of directors of Onsite held during the term of this Agreement.

4. Agreement to Take Necessary Steps. In the event the nominating committee of the Onsite board of directors does not implement the recommendations of Capital as provided in Section 2, the parties to this Agreement shall take all necessary steps to nominate and elect Capital's representatives.

5. Share Certificate Legend. Each certificate representing the Onsite Common Stock and Onsite Preferred Stock held by the Onsite Shareholders and by Capital and subject to this Agreement shall be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable securities laws):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS AGREEMENT DATED OCTOBER 28, 1997 BY AND BETWEEN CERTAIN SHAREHOLDERS OF ONSITE ENERGY CORPORATION AND WESTAR CAPITAL, INC., A COPY OF WHICH MAY BE OBTAINED FREE OF CHARGE FROM THE COMPANY UPON REQUEST.

Upon the sale of the Onsite Common Stock and/or the Onsite Preferred Stock subject to this Agreement (i) by any of the Onsite Shareholders and with the written consent of Capital (which consent shall not be unreasonably withheld or delayed) or, (ii) by Capital and with the written consent of the Onsite Shareholders holding a majority of the shares subject to this Agreement (which consent shall not be unreasonably withheld or delayed), each new share certificate issued in connection with such sale and receipt of the appropriate written consent shall be free of the foregoing legend.

6. Termination of Agreement. This Agreement shall terminate the earlier of: (i) five (5) years after the date first written above, or (ii) the date upon which the stockholdings of Capital and its affiliates counted as if converted to Onsite Common Stock, falls below 10% of the outstanding Common Stock of the Company on a fully-diluted basis, calculated by adding the total number of shares of common stock then issued and outstanding to the number of shares of underlying common stock represented by all then outstanding (i) preferred stock convertible into common stock, and (ii) any other outstanding securities convertible into or exercisable for shares of common stock held by any Person, which are at a price below the then Average Closing Price, as that term is defined in Section 7.1 of the Stock Subscription Agreement.

7. Merger or Consolidation. If Onsite is merged into or consolidated with another corporation, or all or substantially all of the assets of Onsite are transferred to another corporation, then the term "Onsite" shall be construed to include the successor corporation; and the Onsite Shareholders and Capital shall receive and hold under this Agreement any shares of the successor corporation received by them as a result of their ownership of shares held by them under this Agreement before the merger, consolidation, or transfer. Certificates issued and outstanding under this Agreement at the time of the merger, consolidation, or transfer may remain outstanding, but the Onsite Shareholders and Capital may, at their discretion, substitute for these voting certificates new certificates in appropriate form.

8. Necessary Acts. The parties shall perform any acts, including executing any documents, that may be reasonably necessary to carry out fully the provisions and intent of this Agreement.

9. Entire Agreement. This Agreement and the Exhibits and other documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

10. Assignment. Neither this Agreement nor any duties, rights or obligations under this Agreement may be assigned by either party without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed, except Capital may assign this Agreement to an affiliate without consent.

11. Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors, heirs and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors, heirs and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

13. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

14. Notices. All notices or other communications required hereunder shall be in writing and shall be sufficient in all respects and shall be deemed delivered after 5 days if sent via registered or certified mail, postage prepaid; the next day if sent by overnight courier service; or one business day after transmission, if sent by facsimile to the following:

If to an Onsite Shareholder:
The address appearing for him or her
on Exhibit A attached hereto

with copies to:
Onsite Energy Corporation
701 Palomar Airport Road, Suite 200
Carlsbad, CA 92009
Attn: Richard T. Sperberg
Fax: (760) 931-2405

Bartel Eng Linn & Schroder
300 Capitol Mall, Suite 1100
Sacramento, CA 95814
Attn: Scott E. Bartel, Esq.
Fax: (916) 442-3442

If to Capital:

Westar Capital, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Attn: Rita A. Sharpe
Fax: (785) 575-1771

with copies to:

Westar Capital, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Attn: John K. Rosenberg
Fax: (785) 575-1788

Any party hereto may change its address for purposes hereof by notice to all other parties hereto.

15. Remedies. The parties agree that in addition to all other remedies available at law or in equity, the parties shall be entitled to specific performance of the obligations of each party to this Agreement and immediate injunctive relief. The parties also agree that if an action is brought in equity to enforce a party's obligations, no party shall argue, as a defense, that there is an adequate remedy at law.

16. Dispute Resolution. Notwithstanding Section 15 above with respect to immediate injunctive relief, no party to this Agreement shall be entitled to take legal action with respect to any dispute relating hereto until it has complied in good faith with the following alternative dispute resolution procedures. This Section shall not apply to the extent it is deemed necessary to take legal action immediately to preserve a party's adequate remedy.

a. Negotiation. The parties shall attempt promptly and in good faith to resolve any dispute arising out of or relating to this Agreement, through negotiations between representatives who have authority to settle the controversy. Any party may give the other party written notice of any such dispute not resolved in the normal course of business. Within 20 days after delivery of the notice, representatives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange information and to attempt to resolve the dispute, until the parties conclude that the dispute cannot be resolved through unassisted negotiation.

Negotiations extending sixty days after notice shall be deemed at an impasse, unless otherwise agreed by the parties.

If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiator(s) shall be given at least three working days' notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal and state Rules of Evidence.

b. ADR Procedure. If a dispute with more than $20,000.00 at issue has not been resolved within 60 days of the disputing party's notice, a party wishing resolution of the dispute ("Claimant") shall initiate assisted Alternative Dispute Resolution ("ADR") proceedings as described in this Section. Once the Claimant has notified the other ("Respondent") of a desire to initiate ADR proceedings, the proceedings shall be governed as follows: By mutual agreement, the parties shall select the ADR method they wish to use. That ADR method may include arbitration, mediation, mini-trial, or any other method which best suits the circumstances of the dispute. The parties shall agree in writing to the chosen ADR method and the procedural rules to be followed within 30 days after receipt of notice of intent to initiate ADR proceedings. To the extent the parties are unable to agree on procedural rules in whole or in part, the current Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes, CPR Model Mini-trial Procedure, or CPR Commercial Arbitration Rules--whichever applies to the chosen ADR method--shall control, to the extent such rules are consistent with the provisions of this Section. If the parties are unable to agree on an ADR method, the method shall be arbitration.

The parties shall select a single Neutral (as defined by CPR) third party to preside over the ADR proceedings, by the following procedure: Within 15 days after an ADR method is established, the Claimant shall submit a list of 5 acceptable Neutrals to the Respondent. Each Neutral listed shall be sufficiently qualified, including demonstrated neutrality, experience and competence regarding the subject matter of the dispute. A Neutral who is an attorney or former judge shall be deemed to have adequate experience. None of the Neutrals may be present or former employees, attorneys, or agents of either party. The list shall supply information about each Neutral, including address, and relevant background and experience (including education, employment history and prior ADR assignments). Within 15 days after receiving the Claimant's list of Neutrals, the Respondent shall select one Neutral from the list, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Respondent, the Respondent shall submit a list of 5 Neutrals, together with the above background information, to the Claimant. Each of the Neutrals shall meet the conditions stated

above regarding the Claimant's Neutrals. Within 15 days after receiving the Respondent's list of Neutrals, the Claimant shall select one Neutral, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Claimant, then the parties shall request assistance from the Center for Public Resources, Inc., to select a Neutral.

The ADR proceeding shall take place within 30 days after the Neutral has been selected. The Neutral shall issue a written decision within 30 days after the ADR proceeding is complete. Each party shall be responsible for an equal share of the costs of the ADR proceeding. The parties agree that any applicable statute of limitations shall be tolled during the pendency of the ADR proceedings, and no legal action may be brought in connection with this Agreement during the pendency of an ADR proceeding.

The Neutral's written decision shall become final and binding on the parties, unless a party objects in writing within 30 days of receipt of the decision. The objecting party may then file a lawsuit in any court allowed by this Agreement. The Neutral's written decision shall be admissible in the objecting party's lawsuit.

17. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the parties. Any amendment or waiver effected in accordance with this paragraph shall be binding upon the parties, their successors, heirs or assigns, and each future holder of such securities. A waiver by any party hereto of a default in the performance of this Agreement shall not operate as a waiver of any future or other default, whether of a like or different kind.

18. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the parties shall use their efforts to substitute provisions of substantially the same effect. The balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

19. Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by a party and sent to the other parties via facsimile transmission and the facsimile transmitted copy shall have the same integrity, force and effect as an original document.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ONSITE SHAREHOLDERS:

By:
Richard T. Sperberg, an individual

By:
William M. Gary, III, an individual

PROACTIVE PARTNERS, L.P.

By:
Charles McGettigan, General Partner
of ProActive Investment Managers, LP
General Partner

LAGUNITAS PARTNERS, L.P.

By:
Jon D. Gruber, General Partner of
Gruber & McBaine Capital Management,
General Partner

CAPITAL:

Westar Capital, Inc.

By:
Rita A. Sharpe, President

EXHIBIT A

ONSITE SHAREHOLDERS AND SHARES SUBJECT TO THIS AGREEMENT

| Shareholder and Address | Shares |
|---|---|
| Richard T. Sperberg<br>6823 El Fuerte<br>Carlsbad, CA 92009 | 1,216,097 |
| William M. Gary<br>3775 San Gregorio<br>San Diego, CA 92130 | 1,159,016 |
| Proactive Partners, LP<br>c/o Charles McGettigan<br>50 Osgood Place, Penthouse<br>San Francisco, CA 94133 | 1,073,905 |
| Lagunitas Partners, LP<br>50 Osgood Place, Penthouse<br>San Francisco, CA 94133 | 550,982 |
| | 4,000,000 |

EXHIBIT B

CAPITAL SHARES

| | |
|---|---|
| Common Shares Purchased Pursuant to Stock Subscription Agreement | 2,000,000 |
| Common Shares Underlying 200,000 Series C Preferred Shares Purchased Pursuant to Stock Subscription Agreement | 1,000,000 |
| Common Shares to be Exchanged for Westar Business Services | in accordance with Plan and Agreement Reorganization |
| Other Common Shares and Preferred Shares Purchased Pursuant to Stock Subscription Agreement | in accordance with Stock Subscription Agreement |

# REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "Agreement") is made and entered into as of October 28, 1997, by and among Onsite Energy Corporation, a Delaware corporation (the "Company"), and Westar Capital, Inc. a Kansas corporation (the "Investor").

This Agreement is made pursuant to the Stock Subscription Agreement dated as of the date hereof by and between the Company and the Investor (the "Stock Subscription Agreement") and pursuant to the Plan and Agreement of Reorganization of even date herewith to which the Company and the Investor are parties (the "Reorganization Agreement"). In order to induce the Investor to enter into the Stock Subscription Agreement and the Reorganization Agreement, the Company has agreed to provide the registration rights set forth in this Agreement.

The parties hereby agree as follows:

1. Definitions

Capitalized terms used herein without definition shall have their respective meanings set forth in the Stock Subscription Agreement. As used in this Agreement, the following capitalized terms shall have the following meanings:

Common Stock: The Common Stock issued by the Company to the Investor pursuant to the Stock Subscription Agreement and pursuant to the Reorganization Agreement.

Convertible Preferred Stock: The Series C Convertible Preferred Stock issued by the Company to the Investor pursuant to the Stock Subscription Agreement.

Demand Registration: See Section 3 hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the SEC thereunder.

Person: An individual, partnership, corporation, joint venture, association, joint-stock company, trust, unincorporated organization, or a government or agency or political subdivision thereof, including without limitation, any "person" as defined in Section 13(d) of the Exchange Act.

Piggyback Registration: See Section 4 hereof.

Prospectus: The Prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A), as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.



Registrable Securities: All shares of Common Stock issued by the Company to the Investor pursuant to the Stock Subscription Agreement and the Reorganization Agreement, and all shares issued or issuable by the Company upon the conversion of the Convertible Preferred Stock, including all shares of Common Stock received in respect thereof, whether by reason of a stock split, reclassification or stock dividend thereon, upon original issuance thereof and at all times subsequent thereto until, in the case of any such security, (i) it is effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering it, or (ii) it is sold pursuant to Rule 144 (or any similar provisions then in force) under the Securities Act (unless such sale is to an affiliate of the Investor).

Registration Expenses: See Section 7 hereof.

Registration Statement: Any registration statement of the Company which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such Registration Statement.

Securities Act: The Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated by the SEC thereunder.

SEC: The Securities and Exchange Commission.

Underwritten registration or underwritten offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public.

2. Securities Subject to this Agreement

(a) Registrable Securities. The securities entitled to the benefits of this Agreement are the Investor's Registrable Securities.

(b) Restriction on Transfer. Each certificate representing any Registrable Security shall be imprinted with a legend substantially in the following form and a similar legend with respect to applicable state securities law, if required:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT PURSUANT TO (i) A REGISTRATION STATEMENT RELATING TO THE SECURITIES WHICH IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (ii) RULE 144 UNDER SUCH ACT, OR (iii) AN OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO THE COMPANY THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR ANY APPLICABLE STATE SECURITIES LAWS IS AVAILABLE.

Prior to any proposed transfer of any of such Registrable Securities (other than under circumstances described in Sections 3 or 4 hereof), and so long as such securities bear the restrictive legend required under this paragraph (b), the holder thereof shall deliver to the Company (except in transactions demonstrated to the Company's reasonable satisfaction to be in compliance with Rule 144 or other available exemption under the Securities Act, or any substantially similar successor rule of the

SEC either (i) a written opinion of legal counsel reasonably satisfactory to the Company to the effect that the proposed transfer of such securities may be effected without registration or qualification under the Securities Act and any applicable state securities laws, or (ii) a "no action" letter from the SEC (and any necessary state securities administrators) to the effect that the proposed transfer of such securities without registration will not result in a recommendation by the staff of the SEC (or such administrators) that action be taken with respect thereto, whereupon the holder of such securities shall be entitled to transfer such securities in accordance with the terms of such opinion or "no action" letter.

The Company shall remove the legend or legends from a certificate if it receives a written opinion of legal counsel reasonably satisfactory to the Company to the effect that such legend or legends are not required in order to establish compliance with any provision of the Securities Act or applicable state securities law.

3. Demand Registration of Registrable Securities

(a) Requests for Registration. Subject to the provisions of Section 3(b) hereof, the Investor may make a written request (the "Registration Request") to the Company for registration under and in accordance with the provisions of the Securities Act of all or part of their Registrable Securities (the "Demand Registration"). The Company shall as promptly as practicable, and in no event later than forty-five (45) days after the Registration Request is made, prepare and file with the SEC a Registration Statement covering all of the Registrable Securities requested to be included by the Investor. The Registration Request made pursuant to this Section 3(a) shall specify the number of shares of the Registrable Securities to be registered and shall also specify the intended methods of disposition thereof.

(b) Number of Demand Registrations. The Company shall be obligated to effect not more than three (3) Demand Registrations.

(c) Priority on Demand Registration. If any of the Registrable Securities registered pursuant to Demand Registrations are to be sold in one or more firm commitment underwritten offerings, and the managing underwriter or underwriters advise the Company and the Investor in writing that in their opinion the total number or dollar amount of Registrable Securities requested to be included in such registration is sufficiently large to adversely affect the success of such offering, the Company shall include, on behalf of the Investor, in such firm commitment underwritten offering the number of shares of Registrable Securities which, in the opinion of such managing underwriter or underwriters, can be sold without any adverse affect on the offering.

(d) Withdrawal. The Investor may, before such Registration Statement becomes effective, withdraw its Registrable Securities from sale, should the terms of sale not be reasonably satisfactory to it; however, such Demand Registration shall be deemed to have occurred for the purposes of Section 3(b) hereof, unless such withdrawal is more than 5 days prior to the effective date of such Registration Statement. If there is no other seller after the withdrawal of the Investor, the Investor shall pay all of the out-of-pocket expenses of the Company incurred in connection with such registration within thirty (30) days after receipt of a written itemization of such expenses.

(e) Selection of Underwriters. If any Demand Registration is in the form of an underwritten offering, the Company will select and obtain the investment banker or investment bankers and manager or managers that will administer the offering.

4. Piggyback Registrations

(a) Right to Piggyback. Whenever the Company proposes (whether or not for its own account) to register any of its equity securities under the Securities Act except with respect to a registration statement (i) on Form S-8 or any successor form to such Form or (ii) filed in connection with an exchange offer or relating to a transaction pursuant to Rule 145 of the Securities Act, the Company shall give written notice to the Investor of its intention to effect such a registration not later than thirty (30) days prior to the anticipated date of filing with the SEC of a Registration Statement with respect to such registration. Such notice shall offer the Investor the opportunity to include in such Registration Statement such Registrable Securities as the Investor may request (a "Piggyback Registration"). Subject to the provisions of Sections 4(b) and 4(c) hereof, the Company shall include in each such Piggyback Registration all Registrable Securities with respect to which the Company has received a written request for inclusion therein within fifteen (15) days after the receipt by the Investor of the Company's notice. No registration effected pursuant to a request or requests referred to in this Section 4 shall be deemed Demand Registrations pursuant to Section 3. Upon the giving of notice of a proposed registration by the Company pursuant to this Section 4(a), the Investor may exercise only its rights to Piggyback Registration and not Demand Registration as to the Company's proposed registration.

(b) Priority on Primary Registration. If a Piggyback Registration is being made with respect to an underwritten primary registration on behalf of the Company and the managing underwriter or underwriters advise the Company in writing that in their opinion the total number or dollar amount of securities of any class requested to be included in such registration is sufficiently large to adversely affect the success of such offering, the Company shall include in such registration: (1) first, all securities the Company proposes to sell to the public, the proceeds of which shall go to the Company, (2) second, up to the full number of Registrable Securities requested to be included in such registration in excess of the number or dollar amount of securities the Company proposes to sell which, in the opinion of such managing underwriter or underwriters, can be sold without adversely affecting the offering.

(c) Priority on Secondary Registrations. If a Piggyback Registration is being made with respect to an underwritten secondary registration on behalf of holders of the securities of the Company, and the managing underwriters advise the Company in writing that in their opinion the dollar amount or number of securities of any class requested to be included in such registration is sufficiently large to adversely affect the success of such offering, the Company shall include in such registration (1) first, up to the full number of securities requested to be included therein by holders exercising demand registration rights which in the opinion of such underwriter can be sold without adversely affecting the offering and (2) second, up to the full number of Registrable Securities requested to be included in such registration in excess of the number or dollar amount of securities which holders exercising demand registration rights propose to sell, which, in the opinion of such managing underwriter or underwriters, can be sold without adversely affecting the offering.

5. Hold-Back Agreements

(a) Restrictions on Public Sale by the Investor. The Investor agrees, if requested by the managing underwriter or underwriters in any underwritten offering (to the extent timely notified in writing by the Company or the managing underwriter or underwriters) of the Company's securities covered by a Registration Statement, not to effect any public sale or distribution of any Registrable Securities not included in such Registration Statement, including a sale pursuant to Rule 144 under the Securities Act (except as part of such underwritten registration), during the ten (10) day period prior to,

and during the forty-five (45) day period beginning on, the effective date of each underwritten offering made pursuant to such Registration Statement, provided that Investor shall not be obligated to delay the public sale or distribution of Registrable Securities for a period in excess of one hundred ten (110) days in any twelve-month period. Such forty-five (45) day period shall be extended with regard to the Registrable Securities to such longer period as may be agreed to in writing by the Investor.

The foregoing provisions shall not apply to the Investor if it is prevented by applicable statute or regulation from entering into any such agreement; provided that the Investor shall undertake, in its request to participate in any such underwritten offering, not to effect any public sale or distribution of the applicable Registrable Securities commencing on the date of sale of such applicable class of Registrable Securities pursuant to such a Registration Statement unless it has provided forty-five (45) days prior written notice of such sale or distribution to the managing underwriter or underwriters.

(b) Restrictions on Public Sale by the Company and Others. The Company agrees, (i) without the written consent of the managing underwriter or underwriters in an underwritten offering of Registrable Securities covered by a Registration Statement filed by the Company pursuant to Section 3 or 4 hereof, not to effect any public or private sale or distribution of its securities, including a sale pursuant to Regulation D under the Securities Act, during the ten (10) day period prior to, and during the one hundred fifty (150) day period beginning on, the effective date of an underwritten offering made pursuant to a Registration Statement (except as part of such underwritten registration or pursuant to registrations on Form S-8 or any successor form or relating to a transaction pursuant to Rule 145 of the Securities Act) and (ii) to use its best efforts to obtain the written agreement of, and to cause each holder of more than five percent (5%) of any class of its securities purchased from it at any time (other than in a registered public offering) not to effect any registration, public sale or distribution of any such securities during such period, including a sale pursuant to Rule 144 under the Securities Act (except as part of such underwritten registration, if otherwise permitted).

6. Registration Procedures

In connection with the Company's obligations to file a Registration Statement pursuant to Section 3 hereof, the Company shall use its reasonable best efforts to effect such registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company shall as expeditiously as practicable:

(a) Filing; Review - prepare and file with the SEC as soon as practical, but in no event later than the time periods specified herein a Registration Statement relating to the Demand Registration on any appropriate form under the Securities Act, which form shall be available for the sale of the Registrable Securities in accordance with the intended method or methods of distribution thereof, and use its reasonable best efforts to cause such Registration Statement to become effective and remain effective as provided herein; provided that at least fifteen (15) days before filing a Registration Statement or Prospectus or any amendments or supplements thereto, including documents incorporated or deemed to be incorporated by reference in the Registration Statement after the initial filing of any Registration Statement, the Investor, its counsel and the managing underwriters, if any, copies of all such documents proposed to be filed (excluding exhibits unless otherwise requested), which documents shall be subject to the review of the Investor, its counsel and managing underwriters, and the Company shall not file any Registration Statement or amendment thereto or any Prospectus or any supplement thereto (including such documents incorporated or deemed to be incorporated by reference) to which the Investor or the managing underwriters, if any, shall reasonably object on a timely basis;

(b) Amendments; Supplements - prepare and file with the SEC such amendments and post-effective amendments to a Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period; cause the related Prospectus to be supplemented by any required prospectus supplement and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement or supplement to such Prospectus;

(c) Notice of Events - notify the Investor, its counsel and the managing underwriters, if any, promptly, and (if requested by any such Person) confirm such notice in writing, (1) when a Prospectus or any prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (2) of any request by the SEC for amendments or supplements to a Registration Statement or related Prospectus or for additional information to be included in any Registration Statement or Prospectus or otherwise, (3) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (4) if at any time the representations and warranties of the Company contemplated by paragraph (m) below cease to be true and correct, (5) of the receipt by the Company of any notification with respect to the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (6) of the happening of any event which makes any statement made in the Registration Statement, the Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue or which requires the making of any changes in the Registration Statement or Prospectus so that they shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein (with respect to a Prospectus, in light of the circumstances in which they were made) not misleading, and (7) of the reasonable determination of the Company that a post-effective amendment to a Registration Statement would be appropriate;

(d) Suspension - make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement or the lifting of any suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, as soon as practicable;

(e) Additional Information - if requested by the managing underwriters, if any, or the Investor, to immediately incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriters, if any, and the Investor agree should be included therein as required by applicable law; and make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated therein; provided, however, that the Company shall not be required to take any of the actions in this Section 6(e) which are not, in the opinion of counsel for the Company, in its sole discretion, in compliance with applicable law;

(f) Copies - furnish to the Investor's counsel and each managing underwriter, without charge, a signed copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(g) Prospectuses - deliver to the Investor and to the underwriters, if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as may be reasonably requested; the Company consents to the use of such Prospectus or any amendment or supplement thereto by the Investor and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto;

(h) Blue Sky - prior to any public offering of Registrable Securities, register or qualify or cooperate with the Investor, the underwriters, if any, and their respective counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions within the United States as the Investor or underwriter reasonably requests in writing, keep each such registration or qualification effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement; provided that the Company shall not be required to qualify to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(i) Certificates - cooperate with the Investor and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters may request at least two (2) business days prior to any sale of Registrable Securities to the underwriters;

(j) Corrections - upon the occurrence of any event contemplated by Section 6(c)(6) above, prepare a supplement or post-effective amendment to the applicable Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(k) Listing - if requested in writing by the Investor, use its reasonable best efforts to cause all Registrable Securities covered by the Registration Statement to be listed on each securities exchange, if any, on which similar securities issued by the Company are then listed;

(l) CUSIP; Transfer Agent; Registrar - provide a CUSIP number, transfer agent and registrar for all Registrable Securities being registered, not later than the effective date of the applicable Registration Statement covering such securities;

(m) Other Agreements; Opinions - enter into such agreements (including an underwriting agreement in form, scope and substance as is customary in underwritten offerings) and take all such other actions as the Investor or the underwriters, if any, may reasonably request, or any and all such other actions reasonably required in connection therewith in order to expedite or facilitate the disposition of such Registrable Securities and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, (1) make such representations and warranties, if any, to the Investor and to enter into any indemnity arrangement with the underwriters in form, substance and scope as are customarily made by issuers to underwriters

in underwritten offerings and confirm the same if and when reasonably requested; (2) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions shall be reasonably satisfactory in form, scope and substance to the managing underwriters, if any, or if the offering is not underwritten, then to Investor's counsel) addressed to the Investor covering the matters customarily covered in opinions requested in underwritten offerings; (3) use its best efforts to obtain "cold comfort" letters and updates thereof from the Company's independent certified public accountants addressed to the underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters obtained by underwriters in connection with underwritten offerings; and (4) the Company shall deliver such documents and certificates as may be reasonably requested by the Investor or the managing underwriters, if any, to evidence compliance with clause (j) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The above shall be done at each closing under such underwriting or similar agreement or as to the extent required thereunder;

(n) Access - make available for inspection by a representative of the Investor, any underwriter, if any, and any attorney, accountant or other agent retained by the Investor or underwriter, all pertinent financial and other records, corporate documents and properties of the Company (collectively "Records"), and cause the Company's officers, directors and employees to supply all information reasonably requested by any such representative, underwriter, attorney or accountant in connection with such Registration Statement; provided that any Records which the Company determines to be confidential and which it notifies the representative, underwriter, attorney or accountant are confidential, shall not be disclosed by such individuals unless (i) such Records are in the public domain or (ii) disclosure of such Records is required by court or administrative order or applicable law;

(o) Other Agencies - use its reasonable best efforts to cause the Registrable Securities covered by each Registration Statement to be registered with or approved by such other government agencies or authorities as may be necessary to the Investor or the underwriters, if any, to consummate the disposition of such Registrable Securities in the United States;

(p) Compliance - use its reasonable best efforts to comply with all applicable rules and regulations of the SEC and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder, no later than forty-five (45) days after the end of any twelve (12) month period (or ninety (90) days after the end of any twelve (12) month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company after the effective date of a Registration Statement, which statements shall cover said twelve (12) month periods; and

(q) Certificates - on or before the effective date of a registration, provide the transfer agent with printed certificates for the Registrable Securities which are in a form eligible for deposit with The Depositary Trust Company.

The Company may require the Investor to furnish to the Company such information regarding the distribution of such securities and such other information as the Company may from time to time reasonably request in writing, and the Company may exclude from such registration the Registrable Securities of the Investor for unreasonably failing to furnish such information within a reasonable time after receiving such request.

The Investor agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 6(c)(2), 6(c)(3), 6(c)(5) or 6(c)(6), the Investor will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus until receipt of the copies of the supplemented or amended prospectus contemplated by Section 6(j), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any additional or supplemental filings which are incorporated by reference in such Prospectus, and if so directed by the Company, the Investor shall deliver to the Company all copies, other than permanent filed copies then in Investor's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice.

7. Registration Expenses

All fees and expenses incident to the Company's performance of or compliance with this Agreement, including without limitation (a) all registration and filing fees, including all expenses incident to filings required to be made with the National Association of Securities Dealers, Inc. or listing on any securities exchange, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities and determination of the eligibility of any of the Registrable Securities for investment under the laws of such jurisdictions as the managing underwriters or the Investor may designate in accordance with Section 6(h)), fees and expenses of compliance with state insurance or other governmental regulations and rating agency fees, (b) printing expenses, messenger, telephone and delivery expenses, and other internal expenses, (c) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company (including the expenses of any special audit and "cold comfort" letters required by or incident to such performance), (d) fees and expenses of underwriters (excluding discounts, commissions or fees of underwriters, selling brokers, dealer managers or similar securities industry professionals relating to the distribution of the Registrable Securities and legal expenses of selling holders and the underwriters but including the fees and expenses of any "qualified independent underwriter" or other independent appraiser participating in an offering pursuant to Section 3 of Schedule E to the By-Laws of the National Association of Securities Dealers, Inc.), (e) securities acts liability insurance if the Company so desires and (f) fees and expenses of other Persons retained by the Company (all such included expenses being herein called "Registration Expenses") shall be borne by the Company whether or not any of the Registration Statements become effective. Notwithstanding any of the foregoing, the Investor upon sales of Registrable Securities shall bear its own expenses for all underwriting commissions applicable to such sales and any legal fees of counsel hired by the Investor.

The Company shall pay its general expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any audit, and the fees and expenses incurred in connection with the listing of the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed.

8. Miscellaneous

(a) Successor and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties.

(b) Counterparts. This Agreement may be executed in two or more counterparts and by the parties hereto in separate counterparts (including by facsimile signatures), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

(c) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(e) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(f) Entire Agreement. This Agreement is intended by the parties as a final expression of their Agreement and intended to be a complete and exclusive statement of the Agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the securities issued pursuant to the Stock Subscription Agreement and the Reorganization Agreement. This Agreement supersedes all prior Agreements and understandings between the parties with respect to such subject matter.

(g) Notices. All notices or other communications required hereunder shall be in writing and shall be sufficient in all respects and shall be deemed delivered after 5 days if sent via registered or certified mail, postage prepaid; the next day if sent by overnight courier service; or one business day after transmission if sent by facsimile, to the following:

| | |
|---|---|
| If to Company : | Onsite Energy Corporation<br>701 Palomar Airport Rd., #200<br>Carlsbad, CA 92009<br>Attn: Richard T. Sperberg<br>Fax: (760) 931-2405 |
| with copies to: | Bartel Eng Linn & Schroder<br>300 Capitol Mall, Suite 1100<br>Sacramento, CA 95814<br>Attn: Scott E. Bartel, Esq.<br>Fax: (916) 442-3442 |
| If to Investor: | Westar Capital, Inc.<br>PO Box 889<br>818 Kansas Avenue<br>Topeka, KS 66601<br>Attn: Rita A. Sharpe<br>Fax: (785) 575-1771 |

with copies to: Westar Capital, Inc.
PO Box 889
818 Kansas Avenue
Topeka, KS 66601
Attn.: John K. Rosenberg
Fax: (785) 575-1788

Any party hereto may change its address for purposes hereof by notice to all other parties hereto.

(h) Dispute Resolution. No party to this agreement shall be entitled to take legal action with respect to any dispute relating hereto until it has complied in good faith with the following alternative dispute resolution procedures. This section shall not apply to the extent it is deemed necessary to take legal action immediately to preserve a party's adequate remedy.

(i) Negotiation. The parties shall attempt promptly and in good faith to resolve any dispute arising out of or relating to this Contract, through negotiations between representatives who have authority to settle the controversy. Any party may give the other party(ies) written notice of any such dispute not resolved in the normal course of business. Within 20 days after delivery of the notice, representatives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange information and to attempt to resolve the dispute, until the parties conclude that the dispute cannot be resolved through unassisted negotiation. Negotiations extending sixty days after notice shall be deemed at an impasse, unless otherwise agreed by the parties.

If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiator(s) shall be given at least three working days' notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal and state Rules of Evidence.

(ii) ADR Procedure. If a dispute with more than $20,000.00 at issue has
not been resolved within 60 days of the disputing party's notice, a party wishing resolution of the dispute ("Claimant") shall initiate assisted Alternative Dispute Resolution ("ADR") proceedings as described in this Section. Once the Claimant has notified the other party ("Respondent") of a desire to initiate ADR proceedings, the proceedings shall be governed as follows: By mutual agreement, the parties shall select the ADR method they wish to use. That ADR method may include arbitration, mediation, mini-trial, or any other method which best suits the circumstances of the dispute. The parties shall agree in writing to the chosen ADR method and the procedural rules to be followed within 30 days after receipt of notice of intent to initiate ADR proceedings. To the extent the parties are unable to agree on procedural rules in whole or in part, the current Center for Public Resources ("CPR") Model Procedure for Mediation of Business Disputes, CPR Model Mini-trial Procedure, or CPR Commercial Arbitration Rules--whichever applies to the chosen ADR method--shall control, to the extent such rules are consistent with the provisions of this Section. If the parties are unable to agree on an ADR method, the method shall be arbitration.

The parties shall select a single Neutral (as defined by CPR) third party to preside over the ADR proceedings, by the following procedure: Within 15 days after an ADR method is established, the Claimant shall submit a list of 5 acceptable Neutrals to the Respondent. Each Neutral listed shall be sufficiently qualified, including demonstrated neutrality, experience and competence regarding the subject

matter of the dispute. A Neutral shall be deemed to have adequate experience if an attorney or former judge. None of the Neutrals may be present or former employees, attorneys, or agents of either party. The list shall supply information about each Neutral, including address, and relevant background and experience (including education, employment history and prior ADR assignments). Within 15 days after receiving the Claimant's list of Neutrals, the Respondent shall select one Neutral from the list, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Respondent, the Respondent shall submit a list of 5 Neutrals, together with the above background information, to the Claimant. Each of the Neutrals shall meet the conditions stated above regarding the Claimant's Neutrals. Within 15 days after receiving the Respondent's list of Neutrals, the Claimant shall select one Neutral, if at least one individual on the list is acceptable to the Respondent. If none on the list are acceptable to the Claimant, then the parties shall request assistance from CPR to select a Neutral.

The ADR proceeding shall take place within 30 days after the Neutral has been selected. The Neutral shall issue a written decision within 30 days after the ADR proceeding is complete. Each party shall be responsible for an equal share of the costs of the ADR proceeding. The parties agree that any applicable statute of limitations shall be tolled during the pendency of the ADR proceedings, and no legal action may be brought in connection with this agreement during the pendency of an ADR proceeding.

The Neutral's written decision shall become final and binding on the parties, unless a party objects in writing within 30 days of receipt of the decision. The objecting party may then file a lawsuit in any court allowed by this Contract. The Neutral's written decision shall be admissible in the objecting party's lawsuit.

(i) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the parties. Any amendment or waiver effected in accordance with this paragraph shall be binding upon the Investor, its successors or assigns, and each future holder of such securities and the Company. A waiver by any party hereto of a default in the performance of this Agreement shall not operate as a waiver of any future or other default, whether of a like or different kind.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

ONSITE ENERGY CORPORATION

By: _____
Richard T. Sperberg,
President

WESTAR CAPITAL, INC.

By: _____
President

CERTIFICATE OF DESIGNATIONS
of
SERIES C CONVERTIBLE PREFERRED STOCK
of
ONSITE ENERGY CORPORATION

Pursuant to Section 151(g) of the General Corporation Law
of the State of Delaware

Onsite Energy Corporation, a Delaware corporation (the "Company"), certifies that pursuant to the authority contained in its Certificate of Incorporation, as amended, and in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, its Board of Directors (the "Board of Directors") has adopted the following resolution creating a series of its Preferred Stock, $0.001 par value, designating a segment thereof as Series C Convertible Preferred Stock;

WHEREAS, the Certificate of Incorporation of the Company presently authorizes the issuance of one million shares of Preferred Stock, $0.001 par value, in one or more series upon terms and conditions that are to be designated by the Board of Directors;

WHEREAS, in order to accommodate a business purpose deemed proper by the Board of Directors, i.e., to facilitate a private placement of securities which when completed will generate additional working capital for the Company, the Board of Directors does hereby seek to provide for the designation of a segment of the Company's Preferred Stock as "Series C Convertible Preferred Stock;"

WHEREAS, the terms, conditions, voting rights, preferences, limitations and special rights of the Series C Convertible Preferred Stock in their entirety are as provided herein.

NOW THEREFORE, be it:

RESOLVED, that a series of the class of authorized Preferred Stock, $0.001 par value, of the Company hereinafter designated "Series C Convertible Preferred Stock," is hereby created, and that the designation and amount thereof and the voting powers, preferences and relative participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount.

The shares of such series shall be designated as the "Series C Convertible Preferred Stock" (the "Series C Convertible Preferred Stock") and the number of shares initially constituting such series shall be 1,000,000.



Section 2. Dividends and Distributions.

(a) Each holder of a share of Series C Convertible Preferred Stock in preference to the holders of shares of the Company's common stock, $0.001 par value (the "Common Stock"), and of any other capital stock of the Company ranking junior to the Series C Convertible Preferred Stock as to payment of dividends, shall be entitled, when and as declared by the Board, and out of any funds legally available therefor, to an annual dividend at the rate of 9.75% of the liquidation preference of the Series C Convertible Preferred Stock per annum. Provided that the declaration and payment of dividends by the Company is permissible under the General Corporation Law of the State of Delaware, the Board of Directors shall declare a dividend on the Series C Convertible Preferred Stock quarterly. Dividend payments to the holders of shares of Series C Convertible Preferred Stock shall be payable in cash on the 15th day of the first month of each quarter (January, April, July, October) by delivery of a check to each entitled holder's address which is registered with the Secretary of the Company.

(b) Dividends payable pursuant to paragraph (a) of this Section 2 shall begin to accrue from the date of original issue of the Series C Convertible Preferred Stock with the first dividend to be paid on January 15, 1998 and

thereafter shall be cumulative. Dividends paid on the shares of Series C Convertible Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(c) During the period beginning with the issuance of the Series C Convertible Preferred Stock and ending two years after such issuance, any change (i) in the Internal Revenue Code of 1986, as amended to the date hereof (the "Code") or the regulations thereunder as in effect on the date hereof or (ii) in the interpretation thereof by any Court, administrative body, or the Internal Revenue Service, the result of which cause the holders of Series C Convertible Preferred Stock not to be eligible to claim the 80% dividends received deduction provided by Section 243 of the Code (the "Dividends Received Deduction") with respect to dividends on the Series C Convertible Preferred Stock (other than partly or wholly as a result of such holder's failure to meet the current requirements of Section 243 of the Code) may, at the option of such holders, be considered a Forced Conversion as defined in Section 5(d) of such Series C Convertible Preferred Stock to Class A Common Stock, as defined in Section 5(d) hereof. In the event of such Forced Conversion, the Company shall pay any affected holder which thereafter and within two years of the issuance of such Series C Convertible Preferred Stock exercises its option to convert any of its Series C Convertible Preferred Stock to Class A Common Stock an amount equal to the payments which would be due such holder under Section 5(d)(i) of this Agreement as though the Company had exercised its right to require conversion of such Series C Convertible Preferred Stock pursuant to Section 5(d).

(d) Notwithstanding anything to the contrary set forth at paragraphs (a) or (b) of this Section 2, prior to the second anniversary of the issuance of the Series C Convertible Preferred Stock, the Company shall have the option to pay dividends by delivery to the holders of the Series C Convertible Preferred Stock, such additional number of shares of the Company's Series

C Convertible Preferred Stock as may be determined by dividing the total dividend payment due to each holder by the liquidation preference of the Series C Convertible Preferred Stock.

(e) The holders of shares of Series C Convertible Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided in this Certificate of Designations of Series C Convertible Preferred Stock.

Section 3. Voting Rights.

(a) Holders of Series C Convertible Preferred Stock shall be entitled to vote on all matters to be presented to the stockholders and shall have a number of votes equal to the number of shares of Class A Common Stock into which the Series C Convertible Preferred Stock is convertible as of record date.

(b) Unless required by law, such votes shall be counted together with all other shares of stock of the Company having general voting power and not separately as a class.

(c) If, at any time four or more quarterly dividends, whether or not consecutive, on the Series C Convertible Preferred Stock shall be in default, in whole or in part, the holders of the Series C Convertible Preferred Stock shall be entitled to elect the smallest number of Directors as would constitute a majority of the Board of Directors, and the holders of the Class A Common Stock as a class shall be entitled to elect the remaining Directors. Such voting rights shall continue until all dividends accrued on the Series C Convertible Preferred Stock shall have been paid or set apart for payment, at which time such voting power shall cease until a like default in payment recurs.

At any time after the voting power to elect a majority of the Board of Directors shall have become vested in the holders of the Series C Convertible Preferred Stock as provided in this paragraph, the Secretary of the Company may, and on the request of the record holders of at least 10 percent of the Series C Convertible Preferred Stock then outstanding addressed to the Secretary at the principal executive office of the Company, shall call a special meeting of the shareholders for the election of directors, to be held at the place and on the notice provided in the Bylaws of the Company for the holding of annual meetings. If notice of the requested meeting is not given within 20 days after receipt of the request for the meeting, then a person designated by the record holders of at least 10 percent of the Series C Convertible Preferred Stock then outstanding may call such a special meeting at the place and on the notice above provided, and for that purpose shall have access to the stock books of the Company. At any meeting so called or at any annual meeting held while the holders of the Series C Convertible Preferred Stock have the voting power to elect a majority of the Board of Directors, the holders of a majority of the then outstanding Series C Convertible Preferred Stock, present in person or by proxy, shall constitute a quorum for the election of Directors as provided in this paragraph. The terms of office of all persons who are directors of the Company at the time of the meeting shall terminate upon the election at the meeting by the holders of the Series C Convertible Preferred Stock of the number of directors they are entitled to elect, and the persons so elected

as directors by the holders of the Series C Convertible Preferred Stock, together with the persons, if any, elected as directors by the holders of the Class A Common Stock, shall constitute the duly elected directors of the Company. In the event the holders of Class A Common Stock fail to elect the number of Directors that they are entitled to elect at the meeting, the resulting vacancies may be filled by the directors who are elected.

Whenever the voting rights of holders of the Series C Convertible Preferred Stock shall cease as provided in this paragraph (c), the term of office of all persons who are at the time directors of the Company shall terminate upon election of their successors by the holders of the Class A Common Stock.

Section 4. Liquidation, Dissolution, Winding Up or Certain Mergers or Consolidations.

(a) If the Company shall adopt a plan of liquidation or of dissolution, or commence a voluntary case under the federal bankruptcy laws or any other applicable state or federal bankruptcy, insolvency or similar law, or consent to the entry of an order for relief in any involuntary case under such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due and on account of such event the Company shall liquidate, dissolve or wind up, or engage in a merger, plan of reorganization or consolidation, then and in that event, no distribution shall be made to the holders of shares of Common Stock, unless, prior thereto, the holders of the Series C Convertible Preferred Stock shall have first received an amount in cash or equivalent value in securities or other consideration equal to the "liquidation preferences" thereof.

If upon any such liquidation, dissolution, winding up, merger, plan of reorganization or consolidation, the amount so payable or distributable does not equal or exceed the "liquidation preferences" of the Series C Convertible Preferred Stock, then, and in that event, the amount of cash so payable, shall be distributed ratably to the holders of the Series C Convertible Preferred Stock on the basis of the number of shares of Series C Convertible Preferred Stock held. After payment in full of the "liquidation preferences" owed to the holders of the Series C Convertible Preferred Stock, the holders of the Common Stock shall be entitled, to the exclusion of the holders of the Series C Convertible Preferred Stock, to share in all remaining assets of the Company in accordance with their respective interests.

For the purposes hereof, the term "liquidation preferences" shall mean $5.00 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, up to and including the date full payment shall be tendered to the holders of the Series C Convertible Preferred Stock.

(b) Except as provided in subparagraph (a) above, neither the consolidation, merger or other business combination of the Company with or into any other person or persons nor the sale, lease, exchange or conveyance of all or any part of the property, assets or business of the

Company to a Person or Persons other than the holders of the Company's Common Stock, shall be deemed to be a liquidation, dissolution or winding up of the Company for purposes of this Section 4.

Section 5. Conversion.

(a) Subject to the provisions for adjustment hereinafter set forth, each share of Series C Convertible Preferred Stock shall be convertible in the manner hereinafter set forth into fully paid and nonassessable shares of Common Stock. Commencing upon issuance (the "Conversion Date"), each share of Series C Convertible Preferred Stock may, at the option of the holder thereof, be converted into five (5) shares of Class A Common Stock.

(b) The number of shares of Class A Common Stock into which each share of Series C Convertible Preferred Stock is convertible shall be subject to adjustment from time to time as follows:

(i) In case the Company shall at any time or from time to time declare a dividend, or make a distribution, on the outstanding shares of Common Stock in shares of Common Stock or subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares or combine or reclassify the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, and in each case,

(A) the number of shares of Class A Common Stock into which each share of Series C Convertible Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Class A Common Stock which the holder of a share of Series C Convertible Preferred Stock would have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event or the record date therefor, whichever is earlier; and

(B) an adjustment made pursuant to this clause (i) shall become effective (1) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of shares of Class A Common Stock entitled to receive such dividend or distribution, or (2) in the case of any such subdivision, reclassification or combination, at the close of business on the day upon which such corporate action becomes effective.

(C) In case the Company shall be a party to any transaction (including, without limitation, a merger, consolidation, sale of all or substantially all of the Company's assets or recapitalization of the Common Stock and excluding (A) any transaction to which clause (i) of this paragraph (b) applies, and (B) a merger or consolidation in which the Company is the surviving corporation in which the previously outstanding Common Stock shall be changed into or, pursuant to the operation of law or the terms of the transaction to which the Company is a party, exchanged for different securities of the Company or common stock or other

securities of another corporation or interests in a noncorporate entity or other property (including cash) or any combination of any of the foregoing), then, as a condition of the consummation of such transaction, lawful and adequate provision shall be made so that each holder of shares of Series C Convertible Preferred Stock shall be entitled, upon conversion, to an amount per share equal to the greater of (i) (A) the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or which each share of Class A Common Stock is changed or exchanged times (B) the number of shares of Class A Common Stock into which a share of Series C Convertible Preferred Stock is convertible immediately prior to the consummation of such transaction, or (ii) the "liquidation preferences" defined in Section 4(a) hereof.

(D) In case the Company shall be a party to a transaction described in subparagraph (b) (ii) above resulting in the change or exchange of the Company's Class A Common Stock then, from and after the date of announcement of the pendency of such subparagraph (b) (ii) transaction until the effective date thereof, each share of Series C Convertible Preferred Stock may be converted, at the option of the holder thereof, into shares of Class A Common Stock on the terms and conditions set forth in this Section 5, and if so converted during such period, such holder shall be entitled to receive such consideration in exchange for such holder's shares of Class A Common Stock as if such holder had been the holder of such shares of Class A Common Stock as of the record date for such change or exchange of the Class A Common Stock.

(c) The holder of any shares of Series C Convertible Preferred Stock may exercise his right to convert such shares into shares of Class A Common Stock by surrendering for such purpose to the Company, at the offices of the Company, 701 Palomar Airport Road, Suite 200, Carlsbad, California 92009, or any successor location, a certificate or certificates representing the shares of Series C Convertible Preferred Stock to be converted with the form of election to convert (the "Election to Convert") on the reverse side of the stock certificate completed and executed as indicated, thereby stating that such holder elects to convert all or a specified whole number of such shares in accordance with the provisions of this Section 5 and specifying the name or names in which such holder wishes the certificate or certificates for shares of Class A Common Stock to be issued. In case the Election to Convert shall specify a name or names other than that of such holder, it shall be accompanied by payment of all transfer or other taxes payable upon the issuance of shares of Class A Common Stock in such name or names that may be payable in respect of any issue or delivery of shares of Class A Common Stock on conversion of Series C Convertible Preferred Stock pursuant hereto. The Company will have no responsibility to pay any taxes with respect to the Series C Convertible Preferred Stock. As promptly as practicable after the surrender of such certificate or certificates and the receipt of the Election to Convert, and, if applicable, payment of all transfer or other taxes (or the demonstration to the satisfaction of the Company that such taxes have been paid), the Company shall deliver instructions to its transfer agent to delivered (i) certificates representing the number of validly issued, fully paid and nonassessable full shares of Class A Common Stock to which the holder of shares of Series C Convertible Preferred Stock so converted shall be entitled and (ii) if less than the full number of shares of Series C Convertible Preferred Stock evidenced by

the surrendered certificate or certificates are being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares converted. Such conversion shall be deemed to have been made at the close of business on the date of giving of the Election to Convert and of such surrender of the certificate or certificates representing the shares of Series C Convertible Preferred Stock to be converted so that the rights of the holder thereof as to the shares being converted shall cease except for the right to receive shares of Class A Common Stock in accordance herewith, and the person entitled to receive the shares of Class A Common Stock shall be treated for all purposes as having become the record holder of such shares of Class A Common Stock at such time. The Company shall not be required to convert, and no surrender of shares of Series C Convertible Preferred Stock shall be effective for that purpose, while the transfer books of the Company for the Common Stock are closed for any purpose (but not for any period in excess of seven (7) calendar days); but the surrender of shares of Series C Convertible Preferred Stock for conversion during any period while such books are so closed shall become effective for conversion immediately upon the reopening of such books, as if the conversion had been made on the date such shares of Series C Convertible Preferred Stock were surrendered.

(d) The Company shall have the right to require the conversion of the Series C Convertible Preferred Stock to into Class A Common Stock, if the Average Closing Price of the Company's Class A Common Stock is equal to or exceeds $2.00 per share, under the following terms and conditions ("Forced Conversion"):

(i) During the period beginning six months after the issuance of the Series C Convertible Preferred Stock and ending two years after such issuance, upon written notice to the holders of the Series C Convertible Preferred Stock, the Company may force the conversion of the Series C Convertible Preferred Stock by issuing that number of Class A Common Stock into which the then outstanding shares of Series C Convertible Preferred Stock would be convertible and by paying the holders of the Series C Convertible Preferred Stock (a) accrued and unpaid dividends to date, (b) an additional amount which would have accrued to the Series C Convertible Stock holders had the Series C Convertible Preferred Shares been held for two years from the original date of issuance, not including any dividends already paid, and (c) an additional amount sufficient to make such holders' net after-tax proceeds equal to the net after-tax proceeds from Series C Convertible Preferred Share dividends such holders would have received from the date of such payment until the second anniversary of the issuance of such Series C Convertible Preferred Shares in the absence of Company's exercise a Forced Conversion.

(ii) Beginning on the second anniversary of the issuance of the Series C Convertible Preferred Stock, upon written notice to the holders of the Series C Convertible Preferred Stock, the Company may force the conversion of the Series C Convertible Preferred Stock by issuing that number of Class A Common Stock into which the then outstanding shares of Series C Convertible Preferred Stock would be

convertible and by paying the holders of the Series C Convertible Preferred Stock any accrued and unpaid dividends to date.

(iii) The notice of mandatory conversion must be sent within 5 days of the last day of any period of 20 or more consecutive days during which the Company trades at a price in excess of $2.00 per share.

(iv) "Average Closing Price" shall mean the average closing price for the Company's Class A Common Stock for a period of 20 consecutive trading days as quoted on a national securities exchange, or, if Company's Class A Common Stock is not traded on a national securities exchange, then on the NASDAQ Stock Market, or, if the Company's Class A Common Stock is not traded on the NASDAQ Stock Market, then on the OTC Bulletin Board or similar public market.

(e) Upon conversion of any shares of Series C Convertible Preferred Stock, the holder thereof shall be entitled to receive any accrued dividends in respect of the shares so converted, which dividends shall be prorated from the most recent dividend payment date to the date of conversion.

(f) In connection with the conversion of any shares of Series C Convertible Preferred Stock, no fractions of shares of Class A Common Stock shall be issued, but in lieu thereof the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the conversion rate of $5.00 as adjusted under paragraph (b) of this Section 5.

(g) The disposition of the shares of Class A Common Stock into which each share of Series C Convertible Preferred Stock is convertible may be subject to limitations contained within the Stock Subscription Agreement entered into and closed on or about the 24th day of October, 1997, by and among the Company and Westar Capital, Inc., and the Company or the Company's transfer agent is directed to take notice of any such provisions.

(h) The Company shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purposes of effecting the conversion of the shares of Series C Convertible Preferred Stock, such number of its shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series C Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series C Convertible Preferred Stock, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purpose.

(i) Any notice required or permitted by this Section 5 or any other provision contained herein to be given to a holder of Series C Convertible Preferred Stock or to the

Company shall be in writing and be deemed given upon the earlier of (1) personal delivery to such holder at the address appearing on the books of the Company, (2) actual receipt or three (3) days after the same has been deposited by first class mail in the United States mail, postage prepaid, and addressed to the holder at the address appearing on the books of the Company, (3) actual receipt or three (3) days after the same has been sent via an overnight courier service, and addressed to the holder at the address appearing on the books of the Company, or (4) sending of facsimile to such holder at the facsimile number provided by such holder to the Secretary of the Company.

(j) The Company shall not amend its Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the conversion rights of the holder of Series C Convertible Preferred Stock against dilution or other impairment.

Section 6. Reports as to Adjustments.

Whenever the number of shares of Class A Common Stock into which each share of Series C Convertible Preferred Stock is convertible is adjusted as provided in Section 5 hereof, the Company shall promptly mail to the holders of record of the outstanding shares of Series C Convertible Preferred Stock at their respective addresses as the same shall appear in the Company's stock records, or send by facsimile at the facsimile number provided by such holders to the Secretary of the Corporation, a notice stating that the number of shares of Class A Common Stock into which the shares of Series C Convertible Preferred Stock are convertible has been adjusted and setting forth the new number of shares of Class A Common Stock (or describing the new stock, securities, cash or other property) into which each share of Series C Convertible Preferred Stock is convertible, as a result of such adjustment, a brief statement of the facts requiring such adjustment and the computation thereof, and when such adjustment became effective.

Section 7. Redemption. The Series C Convertible Preferred Stock is not redeemable.

Section 8. Notices of Record Date.

In the event of (1) any taking by the Company of a record of the holders of any class or series of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution or (2) any reclassification or recapitalization of the capital stock of the Company or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall send by personal delivery to such holder at the address appearing on the books of the Company, by first class mail addressed, postage prepaid, and addressed to the holder at the address appearing on the books of the Company, or by sending of facsimile to such holder at the facsimile number provided by such holder to the Secretary of

the Company, at least 30 days prior to the record date specified therein, a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or other distribution and a description of such dividend or distribution, (B) the date on which any such reorganization, reclassification, dissolution, liquidation or winding up is expected to become effective, and (C) the time, if any is to be fixed, as to when the holders of record of Series C Convertible Preferred Stock shall be entitled to exchange their Series C Convertible Preferred Stock for securities or other property deliverable upon such reorganization, reclassification, dissolution, liquidation or winding up.

Section 9. Certain Restrictions.

Without the consent of a majority of the outstanding Series C Convertible Preferred Stock, the Company shall not (A) issue any additional equity security equal to or higher in seniority than the Series C Convertible Preferred Stock, (B) declare or pay dividends, or make any other distributions, on any shares of Common Stock or other capital stock ranking equal or junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Convertible Preferred Stock; (C) redeem or purchase or otherwise acquire for consideration any shares of Common Stock or other capital stock ranking equal or junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Convertible Preferred Stock; or (D) purchase or otherwise acquire for consideration any shares of Series C Convertible Preferred Stock.

Section 10. Reacquired Shares.

Any shares of Series C Convertible Preferred Stock converted, purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof, and, if necessary to provide for the lawful purchase of such shares, the capital represented by such shares shall be reduced in accordance with the General Corporation Law of the State of Delaware. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, $0.001 par value, of the Company and may be reissued as part of another series of Preferred Stock, $0.001 par value, of the Company.

Section 11. Certain Definitions.

For the purposes of the Certificate of Designations of Series C Convertible Preferred Stock which embodies this resolution:

"Trading Day" means a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, any day other than a Saturday, Sunday, or a day on which banking institutions in the State of California are authorized or obligated by law or executive order to close.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations of Series C Convertible Preferred Stock to be duly executed by its President and attested to by its Secretary and has caused its corporate seal to be affixed hereto, this 23rd day of October, 1997.

ONSITE ENERGY CORPORATION

By:_____
Richard T. Sperberg, President

ATTEST:

By:_____
William M. Gary, III, Secretary