

~~CONFIDENTIAL~~

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

Bench Filed

on 3/19/02

In re:) Chapter 11
)
KAISER ALUMINUM &)
CHEMICAL CORPORATION, *et al.*,) Case No. 02-10429 ~~XXXX~~ (JKF)
)
Debtors.) Jointly Administered

40-2377

FINAL ORDER AUTHORIZING SECURED POST-PETITION
FINANCING ON A SUPER PRIORITY BASIS PURSUANT TO
11 U.S.C. §§ 363, 364, and 507(b) AND GRANTING RELIEF FROM
THE AUTOMATIC STAY PURSUANT TO 11 U.S.C. § 362 [DOCKET #20]

Kaiser Aluminum & Chemical Corporation, a Delaware corporation ("KACC"), its parent Kaiser Aluminum Corporation, a Delaware corporation ("KAC"), and certain of its affiliated subsidiaries, debtors and debtors-in-possession herein (collectively, the "Debtors") filed a motion (the "Motion") dated February 12, 2002, (a) seeking this Court's authorization pursuant to sections 364(c)(1), 364(c)(2), 364(c)(3), and 507(b) of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code") and Rules 2002, 4001(c) and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the Debtors, *inter alia*, (i) to obtain post-petition financing (the "Post-Petition Financing") under a committed revolving credit facility of up to \$300,000,000 (the "Commitment"), with a borrowing base consisting of accounts, inventory and certain fixed assets (the latter component partially amortizes) including up to \$125,000,000 of letters of credit ("Letters of Credit") (which shall include certain letters of credit issued under the Pre-Petition Credit Agreement (as defined below) and continued under the Post-Petition Financing) and up to \$25,000,000 as swingline loans ("Swingline Loans"), guaranteed by the Debtors which are subsidiaries of KACC and KAC (the "Secured

Guarantors") and non-Debtor subsidiaries Alpart Jamaica, Inc. and Kaiser Jamaica Corporation (the "Unsecured Guarantors"), all under a credit agreement among KACC, as borrower (the "Borrower"), KAC, as a guarantor, Bank of America, N.A. ("BoFA") and any additional financial institutions which become parties to such credit agreement, as lenders (the "Lenders"), BoFA, as the Lenders' agent (the "Agent") and various related Loan Documents, and for the Debtors to execute (a) such credit agreement, as a post-petition credit agreement with respect to the Post-Petition Financing (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement;" terms not otherwise defined herein shall have the meaning ascribed to them in the Credit Agreement) and (b) the other Loan Documents including, without limitation, the First Amendment to the Credit Agreement attached hereto as Exhibit A (the "First Amendment"); (ii) to grant the Lenders, pursuant to section 364(c)(1) of the Bankruptcy Code, administrative super-priority in payment with respect to the Post-Petition Financing over any and all administrative expenses of the kinds specified in sections 503(b) and 507(b) of the Bankruptcy Code and any and all expenses and claims of the Debtors, including but not limited to the kinds specified in sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 726 or 1114 of the Bankruptcy Code, subject to the Carve-Out (as hereinafter defined) and the limitation set forth in the proviso contained in the first sentence in Paragraph 5 of this Order; (iii) to grant the Lenders, pursuant to sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code, first priority liens and security interests, subject only to (A) the Carve-Out and (B) any non-avoidable, valid and perfected Liens in existence on the Petition Date (as hereinafter defined) and any non-avoidable valid Liens in existence on the Petition Date that are perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code (collectively, "Pre-Petition Liens"), in all of the Debtors' currently owned and after acquired property and assets and the

proceeds and products thereof (other than (x) the Excluded Assets, and (y) preferences, fraudulent conveyances, and other avoidance powers, claims and recoveries arising under section 544, 546, 547, 548, 549, 550 or 553 of the Bankruptcy Code (collectively, "Recovery Actions") to secure the Debtors' obligations under the Loan Documents. On February 13, 2002, a preliminary hearing (the "Preliminary Hearing") was held on the Motion, and the Court signed an interim order pursuant to Bankruptcy Rule 4001 (the "Interim Order") authorizing the Debtors to borrow from the Lenders under the Post-Petition Financing up to an aggregate of \$100,000,000 (inclusive of Letters of Credit and letters of credit issued under the Pre-Petition Credit Agreement and continued under the Post-Petition Financing). On February 13, 2002, the Court set the Motion for a final hearing on March 4, 2002, which final hearing was continued to March 19, 2002 (the "Final Hearing"). Due and proper notice of the Motion and the Final Hearing pursuant to Bankruptcy Rule 4001 has been given as set forth below. The Court having further considered the Motion and any objection thereto, all such objections having been resolved or overruled, and upon the entire record made at the Preliminary Hearing and the Final Hearing, and this Court having found good and sufficient cause,

IT IS HEREBY FOUND AND CONCLUDED that:

A. On February 12, 2002 (the "Petition Date"), the Debtors each filed a voluntary petition for relief with this Court under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"). The Debtors are continuing in possession of their property, and operating and managing their businesses, as debtors in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. This Court has jurisdiction over the Chapter 11 Cases and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. The Motion presents a core proceeding as defined in 28 U.S.C. § 157(b)(2).

C. As of the Petition Date, the Debtors were parties to various financing arrangements, including, without limitation, that certain Credit Agreement dated as of February 15, 1994 (as heretofore amended, the "Pre-Petition Credit Agreement") among KACC, as borrower, KAC, as guarantor, the lenders party thereto (the "Pre-Petition Lenders"), and BofA (formerly, BankAmerica Business Credit, Inc.), as agent for the Pre-Petition Lenders, and guarantees issued by the other Secured Guarantors and Unsecured Guarantors of the obligations under the Pre-Petition Credit Agreement.

D. The Debtors do not have sufficient available sources of working capital and financing (including sources for the issuance of letters of credit) to carry on the operation of their businesses without the Post-Petition Financing. The ability of the Debtors to pay employees, maintain business relationships with vendors and suppliers, purchase new inventory, ship and distribute materials throughout the manufacturing process, and otherwise finance their operations is essential to the Debtors' continued viability. In addition, the Debtors' critical need for financing is immediate. Without the Post-Petition Financing, the continued operation of the Debtors' businesses would not be possible, and serious and irreparable harm to the Debtors and their estates would occur. The preservation, maintenance and enhancement of the going concern value of the Debtors, as well as the protection of the interests of others as described herein, are of the utmost significance and importance to a successful reorganization of the Debtors under chapter 11 of the Bankruptcy Code.

E. Given the Debtors' current financial condition and capital structure, the Debtors are unable to sustain their operations with the use of cash collateral and are unable to obtain sufficient unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. Financing on a post-petition basis is not otherwise available without the Debtors' granting, pursuant to section 364(c)(1) of the Bankruptcy Code, claims having priority over any and all administrative expenses of the kinds specified in sections 503(b) and 507(b) of the Bankruptcy Code other than as described below, and securing such indebtedness and obligations with the security interests in and the liens upon the property described below pursuant to sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code.

F. Notice of the entry of the Interim Order, the relief requested in the Motion and a prior draft of the proposed form of this order marked "Subject to Final Review" (this "Order") and the date and time of the Final Hearing has been given to: (i) the Office of the United States Trustee for the District of Delaware; (ii) attorneys for BofA, as agent for the Pre-Petition Lenders; (iii) the twenty largest unsecured creditors of the Debtors¹; (iv) counsel to the DIP Lenders; (v) counsel to MAXXAM Inc., the Debtors' principal equity holder; (vi) the indenture trustees with respect to the Debtors' outstanding public indebtedness; (vii) the trustees under the Debtors' various issuances of industrial revenue bonds; (viii) certain plaintiffs' law firms representing the large numbers of asbestos claimants; and (ix) any other party that filed a request for notices with the Court. Based upon all of the foregoing, sufficient and adequate

¹ In an effort to identify the parties with potential Pre-Petition Liens, the Debtors conducted a diligent review of their books and records to identify all such parties. Extensive title searches on all owned real property and extensive searches of state UCC filings to identify such parties were conducted. Such parties have also received notice of the entry of the Interim Order, the relief requested in the Motion, the Final Hearing and this Order.

notice under the circumstances of the Motion, the Interim Order, this Order and the Final Hearing has been given pursuant to sections 102(l) and 364(c) of the Bankruptcy Code and Bankruptcy Rules 2002 and 4001(c).

G. The Post-Petition Financing has been negotiated in good faith and at arms-length between the Debtors and the Lenders, and any credit extended and loans made to the Debtors ("Loans") and Letters of Credit issued for the account of the Debtors (including Bank Products and the continuance of letters of credit issued under the Pre-Petition Credit Agreement as Letters of Credit under the Credit Agreement) pursuant to the Credit Agreement shall be deemed to have been extended, issued or made, as the case may be, in good faith as required by, and within the meaning of, section 364(e) of the Bankruptcy Code, and the Lenders are entitled to the protections of section 364(c) of the Bankruptcy Code.

H. The terms of the Post-Petition Financing are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

I. This Court concludes that entry of this Order is in the best interests of the Debtors' estates and creditors because its implementation, among other things, will allow for the availability to the Debtors of working capital (including Bank Products and the issuance of Letters of Credit) which is necessary to sustain the operations of the Debtors' existing businesses and enhance the Debtors' prospects for successful reorganization.

J. Each of the foregoing findings by the Court will be deemed a finding of fact if and to the full extent that it makes and contains factual findings and a conclusion of law if and to the full extent that it makes legal conclusions.

Based upon the foregoing findings and conclusions, and upon the record made before this Court at the Preliminary Hearing and the Final Hearing, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED that:

1. The Motion is granted, subject to the terms and conditions set forth in this Order and all objections to the entry of this Order, if any, are resolved hereby or, to the extent not resolved, are overruled.
2. To the extent not previously executed and delivered, the Debtors are each expressly authorized and empowered to execute and deliver to the Lenders the Credit Agreement, the First Amendment, the other Loan Documents and any other document of any kind required to be executed and delivered in connection therewith or in connection with the issuance of Letters of Credit and the obtaining of Bank Products. The Debtors are each authorized and obligated on a final basis to comply with and perform, and are bound by, all of the terms, conditions and waivers contained therein, and the Debtors are each authorized and obligated to repay amounts borrowed, with interest and any other allowed charges, to the Lenders and to reimburse the Issuer Bank and the Lenders for amounts drawn under Letters of Credit and to pay for Bank Products in accordance with and subject to the terms and conditions set forth in the Loan Documents and this Order. None of the Loan Documents nor this Order, nor any provision of any thereof, nor any obligations, liens or security interests arising thereunder, shall be voidable or avoidable under section 548 of the Bankruptcy Code or under any applicable State Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law. To the extent not previously paid, the Debtors are further authorized and obligated to pay all closing, arrangement, commitment and other fees and

expenses, including, without limitation, all reasonable fees and expenses of professionals engaged by the Agent or any Lender, in accordance with the terms of the Credit Agreement. All Loans made under the Loan Documents and interest thereon, together with all reimbursement and other obligations in respect of Letters of Credit issued under the Loan Documents, all obligations with respect to Bank Products provided to the Debtors and all fees, costs, expenses, indebtedness, obligations, indemnities and liabilities of the Debtors to the Agent and the Lenders under or in respect of the Loan Documents, the Interim Order and this Order are hereinafter referred to as the "Obligations."

3. The Debtors are expressly authorized to borrow from the Lenders, on the terms and subject to the conditions and limitations in availability set forth in the Loan Documents and this Order, a total of up to \$300,000,000 of Loans (inclusive of Letters of Credit, including outstanding letters of credit issued under the Pre-Petition Credit Agreement which will be continued as Letters of Credit under the Post-Petition Financing on the terms set forth in the Loan Documents) and to obtain Bank Products. The Debtors are authorized to use the proceeds of the Loans, and to request the issuance of Letters of Credit under the Loan Documents, in the operation of the Debtors' businesses provided that each proposed Loan or Letter of Credit does not violate the terms of the Loan Documents or this Order.

4. The automatic stay pursuant to section 362(a) of the Bankruptcy Code, and any and all other stays and injunctions which are or may be applicable, shall be and hereby are modified and vacated as to the Lenders and the Agent and all of the Collateral (defined below), so that if an Event of Default (as defined in the Credit Agreement) occurs and is continuing, subject to Paragraph 11 of this Order and the terms and conditions of the Credit Agreement, the Lenders and the Agent shall be entitled to terminate the Post-Petition Financing

and the Commitment and to exercise any and all of the rights and remedies under the Credit Agreement, the other Loan Documents, applicable laws and this Order. Notwithstanding anything herein to the contrary (but subject to the provisions of Paragraph 7 of this Order), no Loans, Letters of Credit, cash Collateral or any portion of the Carve-Out (as hereinafter defined) may be used to object to or contest in any manner, or raise any defenses to, the validity, perfection, priority or enforceability of the Obligations owing to the Lenders and the Agent, or the liens in favor of the Lenders and the Agent securing such Obligations, or to assert any claims or causes of action against the Lenders or Agent in their capacity as lenders or agent under the Post-Petition Financing or the Pre-Petition Credit Agreement.

5. In accordance with sections 364(c)(1) and 507(b) of the Bankruptcy Code, subject to Paragraph 7 of this Order, the Obligations shall constitute allowed claims (the "Super-Priority Claims") with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c), 726 and 1114 of the Bankruptcy Code and shall at all times be senior to the rights of the Debtors, any successor trustee, or any other creditor in the Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code, including, without limitation, any chapter 7 cases if any of the Debtors' cases are converted to cases under chapter 7 of the Bankruptcy Code, subject only to the Carve-Out; provided that the Agent and the Lenders shall seek payment of the Obligations from any proceeds of Recovery Actions only after all Collateral proceeds and other funds available for payment of the Obligations have been exhausted. No cost or expense of administration under sections 105, 364(c)(1), 503(b) or 507(b) of the Bankruptcy Code or otherwise, shall be senior to, equal to, or pari passu with, the Super-Priority Claims of the

Lenders arising out of the Obligations, subject only to the Carve-Out. As long as no Event of Default under the Credit Agreement has occurred and is continuing and the Agent has not delivered written notice of such Event of Default and the triggering of the Carve-Out to the Borrower, this Court and each statutory committee appointed in the Chapter 11 Cases (each a "Carve-Out Event"), and subject to the terms of the Credit Agreement, the Debtors shall be permitted to pay compensation and reimbursement of expenses incurred prior to a Carve-Out Event authorized to be paid under sections 330, 331 and 503(b)(3)(F) of the Bankruptcy Code or otherwise pursuant to an order of the Bankruptcy Court, as the same may be due and payable, and such payments shall not reduce the Carve-Out.

6. As security for the Obligations, and as provided in the Loan Documents, the Agent and the Lenders shall have and are hereby granted (effective and continuing upon the date of the Interim Order and without the necessity of the execution, filing and/or recordation by the Debtors of mortgages, security agreements, patent security agreements, trademark security agreements, pledge agreements, financing statements or otherwise), valid and automatically perfected security interests in and liens upon (the "Liens") all presently owned and after-acquired personal and real property of the Debtors of any nature whatsoever, wherever located, as set forth in the Loan Documents, including, without limitation, all cash contained in any account maintained by any of the Debtors, the proceeds of all causes of action existing as of the Petition Date, the proceeds of dispositions of equity interests even if such equity interests are Excluded Assets, and all real property the title to which is held by any of the Debtors, or possession of which is held by any of the Debtors pursuant to a leasehold interest, but not including any Excluded Assets, or claims of the Debtors arising under section 544, 546, 547, 548, 549, 550 or

553 of the Bankruptcy Code (collectively with all proceeds and products of any or all of the foregoing, the "Collateral"), subject to Paragraph 7, as follows:

(a) pursuant to section 364(c)(2) of the Bankruptcy Code, a first priority, perfected Lien upon all of the Debtors' right, title and interest in, to and under all Collateral that is not otherwise encumbered by Pre-Petition Liens, subject only to the Carve-Out and permitted liens and encumbrances permitted in the Credit Agreement; and

(b) pursuant to section 364(c)(3) of the Bankruptcy Code, a perfected junior Lien upon all of the Debtors' right, title and interest in, to and under the Collateral, subject only to all Pre-Petition Liens, the Carve-Out and permitted liens and encumbrances permitted in the Credit Agreement.

7. Notwithstanding any contrary provision of this Order or the Credit Agreement, the Liens and Super-Priority Claims granted to the Agent and the Lenders pursuant to the Credit Agreement and this Order shall be subject and subordinate only to: (a) prior to the occurrence of a Carve-Out Event, (i) unpaid professional fees and disbursements incurred by the professionals retained, pursuant to sections 327 or 1103(a) of the Bankruptcy Code, by the Debtors and any statutory committees appointed in the Chapter 11 Cases, that are approved and allowed by order of this Court pursuant to sections 330 and 331 of the Bankruptcy Code (except for ordinary course professionals) and (ii) the unpaid expenses of any member of such statutory committees allowed under section 503(b)(3)(F) of the Bankruptcy Code, (b) following the occurrence and during the pendency of a Carve-Out Event, (i) the payment of allowed professional fees and disbursements incurred after the occurrence and during the pendency of a Carve-Out Event by the professionals retained, pursuant to sections 327 or 1103(a) of the Bankruptcy Code, by the Debtors and any statutory committees appointed in the Chapter 11 Cases that are allowed by order of this Court pursuant to sections 330 and 331 of the Bankruptcy Code (except for ordinary course professionals) and (ii) the unpaid expenses of any member of such statutory committees allowed by order of the Court under section 503(b)(3)(F) of the

including, without limitation, any valid and perfected pre-petition liens of the Industrial Development Corporation of Spokane County, Washington (the "IDC") under the Second Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing executed by KACC as ~~grantor~~ grantor and IDC as grantee, pursuant to which KACC granted liens in the property described therein.

Bankruptcy Code, in an aggregate amount (as to the immediately preceding (i) and (ii) of this paragraph) not to exceed \$4,000,000, (c) quarterly fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6), and (d) and any fees payable to the Clerk of the Bankruptcy Court (collectively, the "Carve-Out"), provided, however, that the Carve-Out shall not (a) be used to pay professional fees and disbursements incurred in connection with asserting any claims or causes of action against Lenders or Agent, including formal discovery proceedings in anticipation thereof, and/or challenging any lien of Lenders or Agent with respect to the Obligations, or (b) be used to pay professional fees and disbursements incurred in connection with asserting any claims or causes of action against the Pre-Petition Lenders, including formal discovery proceedings in anticipation thereof, and/or challenging any lien of BofA, as agent for the Pre-Petition Lenders, or any Pre-Petition Lender with respect to any of the obligations under the Pre-Petition Credit Agreement. Notwithstanding the foregoing, such statutory committees are authorized to use the Carve-Out to investigate the validity, extent and priority of the Pre-Petition Lenders' liens.

8. Debtors, the Debtors' estates and the Debtors' professionals hereby waive any claim under section 506(c) of the Bankruptcy Code for any costs and expenses incurred in connection with the preservation, protection or enhancement of, or realization by the Agent or Lenders upon the Collateral. The Lenders shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any Collateral. None of the Agent nor any of the Lenders shall be required to file or serve financing statements, mortgages, patent and trademark security agreements and similar instruments which are used to perfect liens and security interests in intellectual property, notices of lien or similar instruments which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect the Liens. If, however, the Agent or any Lender, in

their sole discretion, shall determine to file any such financing statements, mortgages, agreements, notices of lien or similar instruments, or to otherwise confirm perfection of such Liens, the Debtors are obligated to cooperate with and assist in such process, and all such documents shall be deemed to have been perfected at the time of and on the date of this Order, and shall be and hereby are deemed and adjudicated senior to any other post-petition filing by any other person or entity with respect to the same Collateral.

9. A copy of this Order (or a notice of such Order) may be used by Agent as a financing statement, mortgage, deed of trust or similar instrument for purposes of any public filing made by Agent for the perfection of the Liens and the filing of this Order shall have the same effect as if such instrument had been filed on record at the time and on the date of entry of the Interim Order. All state, federal, and county recording officers are authorized and directed to accept a copy of this Order (or a notice of this Order in recordable form) for filing for such purposes.

10. As long as any portion of the Obligations remains unpaid, or any Loan Document remains in effect (without prejudice to other Events of Default set forth in the Credit Agreement), it shall constitute an Event of Default if (a) there shall be entered any order dismissing any of the Chapter 11 Cases, or an order with respect to any of the Chapter 11 Cases shall be entered by the Bankruptcy Court, or the Debtors shall file an application for an order, converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, or (b) there shall be entered in any of the Chapter 11 Cases or any subsequent chapter 7 case any order which authorizes under any section of the Bankruptcy Code, including section 105 or 364 of the Bankruptcy Code, (i) the granting of any lien or security interest in any property of the Debtors in favor of any party other than the Agent and the Lenders, or (ii) the obtaining of credit or the

incurring of indebtedness that is entitled to super-priority administrative status, in either case equal or superior to that granted to the Agent and the Lenders pursuant to this Order, or the Debtors seek any of the foregoing relief, other than, in the case of the foregoing clause (i), any lien or security interest that is expressly permitted under the Credit Agreement; unless, in connection with any transaction cited in such clause (i), such order requires that the Obligations shall first be indefeasibly paid in full in cash (including cash collateralization of all Letters of Credit). Otherwise, and in addition to creating an Event of Default, the Debtors, on behalf of their estates, expressly waive any right to request this Court's approval of such a transaction to the extent not expressly permitted under the Credit Agreement.

11. Upon the occurrence of and during the continuance of an Event of Default (copies of which default provisions are attached hereto as Exhibit B to this Order and incorporated herein by reference), the Agent and the Lenders may, acting pursuant to the terms and conditions of the Loan Documents, but subject to the limitations described in the proviso below, unless the Court orders otherwise, exercise rights and remedies and take all or any of the following actions without further relief from the automatic stay pursuant to section 362(a) of the Bankruptcy Code or any other applicable stay or injunction (which have been modified and vacated, as heretofore ordered, to the extent necessary to permit such exercise of rights and remedies and the taking of such actions) or further order of or application to this Court: (a) suspend or terminate the Commitment and thereafter cease to issue Letters of Credit or make Loans to the Debtors or reduce the Revolving Commitment Availability or any element thereof; (b) declare the principal of and accrued interest, fees and other liabilities constituting the Obligations to be due and payable; (c) set-off amounts in any of the Debtors' accounts maintained with a Lender or otherwise enforce rights against any other Collateral in the

possession of the Agent or Lenders; (d) charge a default rate of interest as set forth in the Loan Documents; and/or (e) take any other action or exercise any other right or remedy permitted to the Lenders under the Loan Documents, this Order, or by operation of law; provided that, notwithstanding the occurrence of an Event of Default, the Agent and the Lenders shall only be permitted to take any action described in clauses (c) and (e) above, including any enforcement or remedial action to foreclose or realize upon, or give any notice with respect to, any Collateral, upon five (5) Business Days' prior written notice to the Debtors, each statutory committee, and the United States Trustee (the "Notice Period"). During the Notice Period, the Debtors shall be entitled to an emergency hearing with the Court upon two (2) days' written notice to the Lenders and the Agent. Unless otherwise ordered by the Court prior to the expiration of the Notice Period, following the expiration of the Notice Period, no Debtor shall have the right to contest the enforcement of the remedies set forth in the Loan Documents, including, but not limited to seeking injunctive relief pursuant to section 105 of the Bankruptcy Code. In no event shall the Debtors seek relief on any basis other than the fact that an Event of Default has not occurred.

12. The Debtors are authorized to perform all acts, and execute and comply with the terms of such other documents, instruments and agreements in addition to the Loan Documents, as the Agent or the Lenders may reasonably require, as evidence of and for the protection of the Obligations, or which otherwise may be deemed reasonably necessary by the Agent or the Lenders to effectuate the terms and conditions of this Order and the Loan Documents. The Debtors, the Agent and the Lenders are hereby authorized to implement, in accordance with the terms of the Credit Agreement, any non-material modifications (including, without limitation, any change in the number or composition of the Lenders) of the Credit Agreement or any other Loan Document without further order of this Court.

Clark Whitman, counsel for U.S. Bank, Frank Menace, counsel for Sixth Street Bank and Trust,

13. Without limiting the rights of access and information afforded the Agent and the Lenders under the Loan Documents, the Debtors shall be required to afford representatives, agents and/or employees of the Agent and the Lenders reasonable access to the Debtors' premises and their records in accordance with the Loan Documents and shall cooperate, consult with, and provide to such persons all such non-privileged information and information not subject to a binding confidentiality agreement, as they may reasonably request.

14. The Debtors shall be jointly and severally liable for all Obligations.

15. Having been found to be extending credit, issuing Letters of Credit and making Loans and providing Bank Products to the Debtors in good faith, based on the record before this Court, the Agent and the Lenders shall be entitled to the full protection of section 364(c) of the Bankruptcy Code with respect to the Obligations and the Liens created, adjudicated or authorized by this Order in the event that this Order or any finding, adjudication, or authorization contained herein is stayed, vacated, reversed or modified on appeal. Any stay, modification, reversal or vacation of this Order shall not affect the validity of any Obligations incurred to, or Liens created in favor of the Agent or the Lenders incurred pursuant to this Order. Notwithstanding any such stay, modification, reversal or vacation, all Loans made and all Letters of Credit issued pursuant to the Post-Petition Credit Agreement, this Order and the Credit Agreement and all Obligations incurred by the Debtors pursuant hereto prior to the effective date of any such stay, modification, reversal or vacation shall be governed in all respects by the original provisions hereof, and the Agent and the Lenders shall be entitled to all the rights, privileges and benefits, including without limitation, the liens, security interests and first priorities granted herein with respect to all such Obligations.

16. The provisions of the Loan Documents and of this Order and any actions taken pursuant thereto or hereto shall survive entry of any order (a) confirming any plan of reorganization in the Chapter 11 Cases (and, to the extent not satisfied in full in cash, the Obligations shall not be discharged by the entry of any such order, or pursuant to section 1141(d)(4) of the Bankruptcy Code, the Debtors having hereby waived such discharge); (b) converting any of the Chapter 11 Cases to a chapter 7 case; or (c) to the extent permitted by applicable law, dismissing any of the Chapter 11 Cases, and the terms and provisions of this Order as well as the Super-Priority Claims and Liens granted pursuant to this Order and the Loan Documents shall continue in full force and effect notwithstanding the entry of such order, and such Super-Priority Claims and Liens shall maintain their priority as provided by this Order until all of the Obligations are indefeasibly paid in full in cash and discharged.

17. Except as otherwise provided in this Order, pursuant to Section 552(a) of the Bankruptcy Code, all property acquired by the Debtors after the Petition Date, including, without limitation, all Collateral pledged to the Lenders pursuant to the Credit Agreement, the other Loan Documents and this Order, is not and shall not be subject to any lien of any entity resulting from any security agreement entered into by the Debtors prior to the Petition Date, except to the extent that such property constitutes proceeds of encumbered property of the Debtors existing on or before the Petition Date.

18. The reasonableness of the fees of any management consultant engaged by the Agent or its counsel pursuant to Section 9.1.14 of the Credit Agreement shall be subject to review by the Official Committee of Unsecured Creditors in the Chapter 11 Cases and to adjudication by this Court in the event of any objection by such Committee to such fees.

19. The Temporary Restraining Order entered by this Court on February 13, 2002 and extended pursuant to the Second Stipulated Extension of Temporary Restraining Order Pending Continued Hearing on Preliminary Injunction entered by this Court on March 5, 2002 granting relief against State Street Bank and Trust Company, as Trustee, and U.S. Bank Trust National Association, as Trustee, the defendants named therein (the "TRO"), and any order hereafter entered by this Court granting similar relief, including any preliminary injunction, shall immediately cease to be of any effect if the Agent and the Lenders proceed against the Unsecured Guarantors to collect on or otherwise enforce any rights, remedies or obligations under the Subsidiary Guaranty, at law or in equity. "[P]roceeding...to collect on or otherwise enforce," as used herein, includes, without limitation, the following activities: making a demand for payment under the Subsidiary Guaranty; attempting to enforce any part of the Guaranteed Obligations (as defined in the Subsidiary Guaranty) against the Unsecured Guarantors, whether by bringing suit in state or federal court, Jamaican court or equivalent tribunal, or by any other means; seeking to attach property, perfect liens or otherwise assert security interests against the assets of the Unsecured Guarantors; filing an involuntary petition under the Bankruptcy Code (or any other equivalent creditors-rights law or authority) against either Unsecured Guarantor; setting off any part of the Guaranteed Obligations against funds deposited in bank accounts owned or controlled by the Unsecured Guarantors; and/or seeking any form of attachment or injunction under U.S., Jamaican or other law. *Except as set forth in this paragraph, this Order does not modify the TRO.*

20. The provisions of this Order and the Loan Documents shall be binding upon and inure to the benefit of the Agent, the Lenders, the Debtors, and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in the

Chapter 11 Cases or in subsequent chapter 7 cases as a legal representative of the Debtors or their estates.

21. In the event of any conflict between any term, covenant or condition of this Order and any term, covenant or condition of the Interim Order or any Loan Document, the provisions of this Order shall control and govern.

22. The Court has and will retain jurisdiction to enforce this Order according to its terms.

Dated: March 19, 2002


UNITED STATES BANKRUPTCY JUDGE

23. This Court has no jurisdiction over the now-Debtor Unsecured Guarantors and thus neither approves nor disapproves their guaranties.

24. The counsel for the Agent shall submit their bills to counsel for the Debtors and counsel for the Official Committee of Unsecured Creditors at the same time they are submitted to the Agent. The Debtors and the Official Committee of Unsecured Creditors shall have 10 days from receipt of such bills to file an objection to them with the Court. If no objection is timely filed, the fees will be deemed reasonable.

Exhibit A

First Amendment to Credit Agreement

**FIRST AMENDMENT TO
POST-PETITION CREDIT AGREEMENT AND POST-PETITION PLEDGE AND
SECURITY AGREEMENT
AND CONSENT OF GUARANTORS**

This **FIRST AMENDMENT TO POST-PETITION CREDIT AGREEMENT AND POST-PETITION PLEDGE AND SECURITY AGREEMENT AND CONSENT OF GUARANTORS** (this "Amendment") is dated as of March __, 2002 and entered into by and among **KAISER ALUMINUM CORPORATION**, a Delaware corporation, as debtor and debtor-in-possession ("Parent Guarantor"), **KAISER ALUMINUM & CHEMICAL CORPORATION**, a Delaware corporation, as debtor and debtor-in-possession (the "Borrower"), the banks and other financial institutions signatory hereto that are parties as Lenders to the Credit Agreement referred to below (the "Lenders"), **BANK OF AMERICA, N.A.**, as administrative agent and collateral agent (in such capacity, the "Agent") for the Lenders, **GENERAL ELECTRIC CAPITAL CORPORATION** ("GE Capital") as Documentation Agent, **THE CIT GROUP/BUSINESS CREDIT, INC.** ("CIT"), as Co-Syndication Agent, and **FOOTHILL CAPITAL CORPORATION** ("Foothill"), as Co-Syndication Agent (GE Capital, CIT and Foothill, collectively, the "Co-Agents").

Recitals

Whereas, the Parent Guarantor, the Borrower, the Lenders, and the Agent have entered into that certain Post-Petition Credit Agreement dated as of February 12, 2002 (the "Credit Agreement"; capitalized terms used in this Amendment without definition shall have the meanings given such terms in the Credit Agreement); and

Whereas, the Agent has appointed the Co-Agents to serve in the capacities set forth above; and

Whereas, the parties hereto wish to amend the Credit Agreement, on the terms and conditions set forth in this Amendment;

Now Therefore, in consideration of the premises and the mutual agreements set forth herein, Parent Guarantor, the Borrower, the Lenders, and the Agent agree as follows:

1. AMENDMENTS TO CREDIT AGREEMENT. Subject to the conditions and upon the terms set forth in this Amendment, the Credit Agreement is hereby amended as follows:

1.1 Amendments to Section 1.1 (Definitions). (a) The following definition is added to Section 1.1 of the Credit Agreement in proper alphabetical order:

"Stores Inventory" means all goods (purchased, manufactured, or transferred in) in the nature of supply items which are not directly used in the manufacturing (production) or

shipping (distribution) process and which are classified by the Debtors as "stores" consistent with past practice and the Debtors' Controller's Policy Manual.

(b) The definition of "Borrowing Base" is amended to add the following before the final semicolon of clause (c) of such definition:

"; provided further that, so long as the Company has by March 31, 2002 (i) approved the engagement by the Agent of an appraiser to perform such appraisals and (ii) provided to the Agent such information regarding Hazardous Materials and other environmental matters as the Agent requires in order to initially establish an Environmental Compliance Reserve with respect to the OLV In-Place Value (as contemplated under the definition thereof) of Eligible Fixed Assets, the PPE Subcomponent shall not be reduced to zero (as a result of the failure to deliver and approve such appraisals and environmental reports) until July 1, 2002".

(c) The definition of "Collateral" is amended to add the following at the end of such definition: "The proceeds of any disposition of any equity interests in any Unsecured Guarantor, KAAC, QAL, KJBC, or the Mining JV, except to the extent noncash proceeds constitute Excluded Assets, shall constitute Collateral, even though the equity interests themselves are not Collateral."

(d) The definition of "Eligible Account" is amended to add "and each Lender" in the first sentence thereof after the words "after consultation with the Company".

(e) The definition of "Eligible Inventory" is amended to delete clause (d) and to replace it with the following: "(d) is not Stores Inventory, Tolling Inventory, or Inventory delivered to the Company, KAI or Kaiser Bellwood on consignment;"

1.2 Amendment to Section 2.1.2(a). Section 2.1.2(a) of the Credit Agreement is amended to delete the first sentence and to replace it with the following:

"From time to time on any Business Day occurring during the period commencing on the Initial Borrowing Date and continuing to (but not including) the Revolving Commitment Termination Date, (i) so long as no Default or Event of Default has occurred and is continuing, Agent will make a portion of the Revolving Credit Commitment available to the Company by making Loans to the Company in an aggregate amount not to exceed \$25,000,000 outstanding at any time and (ii) if a Default or Event of Default has occurred and is continuing, the Agent may, subject to Section 7.4, make a portion of the Revolving Credit Commitment available to the Company by making Loans to the Company in an aggregate amount not to exceed \$15,000,000 outstanding at any time (Loans made under this Section 2.1.2(a)(i) and (ii) "Swingline Loans"), in each case notwithstanding the fact that such Swingline Loans may exceed the Agent's Revolving Credit Commitment; provided, however, that the Agent shall not make any Swingline Loan in an amount that would exceed the Revolving Commitment Availability. The Commitment of the Agent to make Swingline Loans from time to time under clause (i) above is herein referred to as its "Swingline Commitment"."

1.3 Amendment to Section 2.1.3. Section 2.1.3 of the Credit Agreement is amended to add after the phrase "Agent shall not be required to make" the parenthetical "(and may not make)".

1.4 *Amendment to Section 2.5(a).* Section 2.5(a) of the Credit Agreement is amended to add the following proviso at the end of such Section:

“provided that the Agent and the Lenders shall seek payment of the Obligations from proceeds of any preferences, fraudulent conveyances, and other avoidance powers, claims and recoveries arising under Section 544, 545, 546, 547, 548, 549, 550 or 553 of the Bankruptcy Code only after all Collateral proceeds and other funds of the Obligor available for the payment of the Obligations have been exhausted;”

1.5 *Amendment to Section 2.5(c).* Section 2.5(c) of the Credit Agreement is amended to delete the phrase “all property of the Debtors” and to replace it with “all Property of the Debtors and their estates of every kind or type whatsoever, tangible, intangible, real, personal and mixed, whether now owned or hereafter acquired or arising, wherever located, and including without limitation, all property of the estates of each of the Debtors within the meaning of section 541 of the Bankruptcy Code and all proceeds, rents and products of the foregoing and all distributions thereon,”.

1.6 *Amendment to Section 3.3.* Section 3.3 of the Credit Agreement is amended to add a new Section 3.3.4 as follows:

“**SECTION 3.3.4. Application of Payments.** Except as required by Section 3.3.1 or 3.3.2 (and notwithstanding any other provision in any other Loan Document governing the application of proceeds of Collateral, at any time during the continuance of an Event of Default), all amounts received by the Agent in respect of the Obligations, other than in respect of (i) principal of or interest then due on the Loans, (ii) reimbursements of Reimbursement Obligations, or (iii) specific fees or expenses or other amounts then due to the Agent and Lenders, shall be applied first, to pay any fees, indemnities or expense reimbursements then due to the Agent, costs and expenses of any realization on the Collateral and payments of advances made by the Agent in accordance with the Loan Documents; second, to pay any fees, indemnities or expense reimbursements then due to the Lenders from the Borrower; third, to pay interest then due in respect of Swingline Loans and Revolving Loans; fourth, to pay or prepay Swingline Loans; fifth, to pay or prepay principal of Revolving Loans and unpaid Reimbursement Obligations; sixth, to the extent required by Section 5.7, deposited in the L/C Collateral Account; and seventh, to the payment of all other Obligations, including Bank Product Obligations. Payments made to, or deposits in, the Concentration Account or other deposit accounts of Borrower maintained with Bank of America shall not constitute payments received by the Agent for purposes of this Section 3.3.4. If an Event of Cash Dominion has occurred and is continuing, but only so long as no Event of Default has occurred and is continuing, this Section 3.3.4 shall not apply and Section 3.3.2 shall be applicable; provided, however, that this Section 3.3.4 shall apply at all times during the continuance of an Event of Default.”

1.7 *Amendment to Section 4.7(a).* Section 4.7(a) of the Credit Agreement is amended to delete the first clause in the fifth sentence and to replace it with “If the Agent fails to remit such funds to such Lender due to an inadvertent delay of no more than 3 Business Days,”.

1.8 *Amendment to Section 7.4.* Section 7.4 of the Credit Agreement is amended to delete the second sentence thereof and to replace it with the following:

"Notwithstanding the foregoing, the Lenders acknowledge and agree that during the continuance of a Default, unless and until the Agent receives written instructions from the Required Lenders during the continuance of a Default to cease making Swingline Loans and Revolving Loans and to cease instructing Issuer Banks to issue Letters of Credit, (a) if the Agent has determined, in the exercise of its reasonable business judgment, that it is in the best interests of the Lenders to continue to make Loans or issue Letters of Credit for the account of the Borrower, the Agent may waive the conditions of this Section 7.4 (other than 7.4.4) and continue to make Swingline Loans and instruct the applicable Issuer Bank to issue Letters of Credit notwithstanding the existence of a Default; provided, however, that the Agent may not make any Swingline Loan or cause to be issued any Letter of Credit in an amount that would exceed the Revolving Commitment Availability and that the Swingline Loans made and the Letters of Credit issued while such Default exists shall not exceed \$15,000,000 at any time outstanding and (b) the Lenders shall be obligated to continue to make Revolving Loans and to reimburse the Agent for Swingline Loans made in accordance with clause (a) and shall be deemed to have purchased and received an undivided interest in Letters of Credit issued in accordance with clause (a)."

1.9 *Amendments to Section 9.1.3.* Section 9.1.3 of the Credit Agreement is amended to add the following at the end of such Section:

"; provided, however, that if the Borrower or any of its Subsidiaries fails to maintain its assets, as required by clause (a) (without giving effect to the three lines preceding this proviso), the condition of such assets may be taken into consideration in determining the OLV in Place Value of Eligible Fixed Assets for purposes of determining the PPE Subcomponent of the Borrowing Base or the establishment of Reserves with respect thereto (but only to the extent that such assets have been included in the PPE Subcomponent of the Borrowing Base), as the Agent determines in its commercially reasonable judgment."

1.10 *Amendment to Section 9.2.2(b).* Section 9.2.2(b) is amended to delete clause (i) and to replace it with the following:

"(i) Indebtedness of a Debtor in an aggregate amount for all Debtors not to exceed \$30,000,000, such Indebtedness to have terms and conditions satisfactory to the Required Lenders in their sole discretion and to be subordinated to the Obligations on terms satisfactory to the Required Lenders in their sole discretion;"

1.11 *Amendment to Section 9.2.3.* Section 9.2.3 is amended to delete clause (r) and to replace it with the following:

"(r) Liens on Property of a Debtor (other than Excluded Assets) securing Indebtedness permitted under Section 9.2.2(b)(i), provided that any such Liens which encumber the Collateral shall be subordinated on terms satisfactory to the Required

Lenders in their sole discretion to the Liens granted pursuant to the Loan Documents and shall be subject to intercreditor arrangements on terms satisfactory to the Required Lenders in their sole discretion;"

1.12 *Amendment to Section 9.2.6.* Section 9.2.6 of the Credit Agreement is amended to add the following after the words "except that" at the end of the introduction to clause (a):

"to the extent permitted under the Bankruptcy Code or by order of the Bankruptcy Court"

1.13 *Amendment to Section 9.2.11.* Section 9.2.11 of the Credit Agreement is amended to add the following sentence at the end of such Section:

"Further, notwithstanding the foregoing, or the provisions of Sections 9.2.10 or 9.2.18, the Company will not, and will not permit AJI or KJC to, sell any of the assets of AJI or KJC, including any partnership interests in ALPART, or liquidate, or dissolve AJI or KJC, or consolidate or merge AJI or KJC with any other entity, nor will it permit AJI or KJC or ALPART to sell any of the assets of ALPART, other than sales of Inventory in the ordinary course of business or liquidate or dissolve ALPART or merge or consolidate ALPART with any other entity."

1.14 *Amendment to Section 10.1.* Section 10.1 of the Credit Agreement is amended to add the following as Section 10.1.11:

"SECTION 10.1.11. Actions against Unsecured Guarantors. Any creditor of any Unsecured Guarantor takes any action to collect or otherwise enforce any Indebtedness of any Unsecured Guarantor, or any rights, remedies or obligations under any documents creating or evidencing such Indebtedness, at law or in equity, including without limitation, making any demand for payment, bringing suit in any court or before any tribunal, seeking to attach property, perfect Liens or otherwise assert any security interests, Liens or claims (by setoff or otherwise), filing any involuntary petition against any Unsecured Guarantor under the Bankruptcy Code or taking any equivalent action under any other law affecting the rights of creditors, seeking to attach any assets of any Unsecured Guarantor, exercising any right of offset, or seeking any injunction under applicable laws."

1.15 *Addition of Section 11.11.* A new Section 11.11 is added to the Credit Agreement to read as follows:

"SECTION 11.11. The Co-Agents. None of the Co-Agents shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders in their capacities as Lenders hereunder. Without limiting the foregoing, none of the Co-Agents shall be deemed to have a fiduciary relationship with any Lender or the Agent. Each Lender which becomes a party to this Agreement acknowledges that it has not relied, and will not rely, on any of the Co-Agents in deciding to enter into this Agreement or in taking or not taking action hereunder."

1.11 *Deletion of Section 12.1(b).* Section 12.1(b) of the Credit Agreement is deleted in its entirety.

2. **AMENDMENTS TO SECURITY AGREEMENT.** Subject to the conditions and upon the terms set forth in this Amendment, the Security Agreement is hereby amended as follows:

2.1 *Amendment to Section 14(a)(iii).* Section 14(a)(iii) of the Security Agreement is hereby amended to delete paragraph "Third" and to replace it with the following:

"Third, toward the satisfaction of the Secured Obligations (not including Bank Product Obligations) in respect of principal and Reimbursement Obligations, including the deposit of available funds in an amount equal to the then aggregate Letter of Credit Outstandings in the L/C Collateral Account in accordance with the Credit Agreement;"

3. **REPRESENTATIONS AND WARRANTIES OF PARENT GUARANTOR AND THE BORROWER.** Each of the Parent Guarantor and the Borrower represents and warrants to each Lender and the Agent that the following statements are true, correct and complete:

3.1 *Power and Authority.* Each of the Parent Guarantor, Borrower and each other Obligor has all corporate power and authority to enter into this Amendment and, as applicable, the Consent of Guarantors attached hereto (the "Consent"), and to carry out the transactions contemplated by, and to perform its obligations under or in respect of, the Credit Agreement, as amended hereby.

3.2 *Due Authorization, Non-Contravention.* The execution, delivery and performance by the applicable Obligor of this Amendment and the Consent and the performance of the obligations of each Obligor under or in respect of the Credit Agreement as amended hereby have been duly authorized by all necessary corporate action, and do not (a) contravene such Obligor's Organic Documents, (b) contravene any contractual restriction entered into after the Petition Date where such a contravention has a reasonable possibility of having a Materially Adverse Effect, or contravene any law or governmental regulation or court order binding on or affecting such Obligor, or (c) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties.

3.3 *Execution, Delivery and Enforceability.* This Amendment and the Consent have been duly executed and delivered by each Obligor which is a party thereto and constitute the legal, valid and binding obligations of such Obligor, enforceable in accordance with their terms.

3.4 *No Default or Event of Default.* No event has occurred and is continuing or will result from the execution and delivery of this Amendment or the Consent that would constitute a Default or an Event of Default.

3.5 *Representations and Warranties.* Each of the representations and warranties contained in the Loan Documents is and will be true and correct

in all material respects on and as of the date hereof and as of the effective date of this Amendment, except to the extent that such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects as of such earlier date.

3.6 CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT. This Amendment shall be effective only if and when signed by, and when counterparts hereof shall have been delivered to the Agent (by hand delivery, mail or telecopy) by, the Parent Guarantor, the Borrower and the Required Lenders, and counterparts of the Consent have been delivered to the Agent by Parent Guarantor and each Subsidiary Guarantor and this Amendment has been approved by the Bankruptcy Court in the Chapter 11 Cases, if such approval is required.

4. EFFECT OF AMENDMENT; RATIFICATION. This Amendment is a Loan Document. From and after the date on which this Amendment becomes effective, all references in the Loan Documents to the Credit Agreement or the Security Agreement shall mean the Credit Agreement or the Security Agreement, as applicable, each as amended hereby. Except as expressly amended hereby, the Credit Agreement and the other Loan Documents, including the Liens granted thereunder, shall remain in full force and effect, and all terms and provisions thereof are hereby ratified and confirmed. Each of the Parent Guarantor and the Borrower confirms that as amended hereby, each of the Loan Documents is in full force and effect.

5. APPLICABLE LAW. THE VALIDITY, INTERPRETATIONS AND ENFORCEMENT OF THIS AMENDMENT AND ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS AMENDMENT, WHETHER SOUNDING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

6. COMPLETE AGREEMENT. This Amendment sets forth the complete agreement of the parties in respect of any amendment to any of the provisions of any Loan Document. The execution, delivery and effectiveness of this Amendment do not constitute a waiver of any Default or Event of Default, amend or modify any provision of any Loan Document except as expressly set forth herein or constitute a course of dealing or any other basis for altering the Obligations of any Obligor.

7. CAPTIONS; COUNTERPARTS. The catchlines and captions herein are intended solely for convenience of reference and shall not be used to interpret or construe the provisions hereof. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts (including by telecopy), all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has duly executed this First Amendment to Credit Agreement and Consent of Guarantors as of the date set forth above.

"PARENT GUARANTOR"

KAISER ALUMINUM CORPORATION

By: _____
Name:
Title:

"BORROWER"

**KAISER ALUMINUM & CHEMICAL
CORPORATION**

By: _____
Name:
Title:

[Signatures Continued on Next Page]

BANK OF AMERICA, N.A.,
as the Agent and a Lender

By: _____
Name: _____
Title: _____

**GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender**

By: _____
Name: _____
Title: _____

FOOTHILL CAPITAL CORPORATION,
as a Lender

By: _____
Name: _____
Title: _____

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

By: _____
Name: _____
Title: _____

CONSENT OF GUARANTORS

Each of the undersigned is a Guarantor of the Obligations of the Borrower under the Credit Agreement and each other Loan Document and hereby (a) consents to the foregoing Amendment, (b) acknowledges that notwithstanding the execution and delivery of the foregoing Amendment, the obligations of each of the undersigned Guarantors are not impaired or affected and the Parent Guaranty and the Subsidiary Guaranty continue in full force and effect, and (c) ratifies the Parent Guaranty or the Subsidiary Guaranty, as applicable, and each of the Loan Documents to which it is a party and further ratifies the Security Interests granted by it to the Agent for its benefit and the benefit of the Secured Parties.

[signatures following; remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has executed
and delivered this CONSENT OF GUARANTORS as of the date first set forth above.

AKRON HOLDING CORPORATION

By _____
Title:

ALPART JAMAICA INC.

By _____
Title:

KAISER ALUMINA AUSTRALIA CORPORATION

By _____
Title:

KAISER BELLWOOD CORPORATION

By _____
Title:

[Signatures Continued on Next Page]

**KAISER ALUMINUM & CHEMICAL
INVESTMENT, INC.**

By _____
Title:

KAISER ALUMINIUM INTERNATIONAL, INC.

By _____
Title:

KAISER ALUMINUM PROPERTIES, INC.

By _____
Title:

**KAISER ALUMINUM TECHNICAL
SERVICES, INC.**

By _____
Title:

[Signatures Continued on Next Page]

KAISER FINANCE CORPORATION

By _____
Title:

KAISER JAMAICA CORPORATION

By _____
Title:

KAISER MICROMILL HOLDINGS, LLC

By _____
Title:

KAISER SIERRA MICROMILLS, LLC

By _____
Title:

KAISER TEXAS SIERRA MICROMILLS, LLC

By _____
Title:

[Signatures Continued on Next Page]

KAISER TEXAS MICROMILL HOLDINGS, LLC

By _____
Title:

OXNARD FORGE DIE COMPANY, INC.

By _____
Title:

KAISER ALUMINUM CORPORATION

By _____
Title:

Exhibit B

Events of Default

I. EVENTS OF DEFAULT

A. Listing of Events of Default. Each of the following events or occurrences described in this Section 10.1 shall constitute an "Event of Default".

1. Non-Payment of Obligations. The Company shall default in the payment or prepayment when due of any principal of or interest on any Loan or Reimbursement Obligation; or the Company shall default (and such default shall continue unremedied for a period of five days) in the payment when due of any commitment or letter of credit fee payable hereunder.

2. Breach of Warranty. Any representation, warranty, or certification of the Parent Guarantor, the Company, or any other Obligor made or deemed to be made hereunder or in any other Loan Document to which it is or is to become a party or any other writing or certificate furnished by or on behalf of the Parent Guarantor, the Company, or any other Obligor to the Agent or any Lender for the purposes of or in connection with this Agreement or any such other Loan Document (including any certificates delivered pursuant to Article VII) is or shall be incorrect when made in any material respect.

3. Non-Performance of Certain Covenants and Obligations. The Parent Guarantor, the Company, or any Obligor shall default in the due performance and observance of any of its respective obligations under Sections 3.3.2(b) and (c), 9.2.2(b)(x), 9.2.4, 9.2.6, 9.2.7 of this Agreement; or the Parent Guarantor, the Company or any Obligor shall default in the due performance and observance of any of its respective obligations under Section 9.2.20 and such default shall continue unremedied for a period of five days.

4. Non-Performance of Certain Covenants and Obligations. The Parent Guarantor, the Company, or any other Obligor shall default in the due performance and observance of any of its respective obligations under

a. Section 9.2 (other than Sections 9.2.2(b)(x), 9.2.4, 9.2.6, 9.2.7 and 9.2.20), 9.1.4, or 9.1.9 or clause (a) of Section 9.1.5 of this Agreement, or

b. Section 6(e), 7(h), 7(i), 7(j), 7(l), 7(r), 7(u), 7(v), 7(w) or 12 of the Security Agreement,

and such default shall continue unremedied for a period of five days after written notice thereof shall have been given by the Agent to the Company.

5. **Non-Performance of Other Covenants and Obligations.** Any Obligor shall default in the due performance and observance of any other agreement contained herein, or in any other Loan Document, any Hedging Agreement constituting a Bank Product or any Currency Hedge Agreement constituting a Bank Product to which it is or is to become a party, and such default shall continue unremedied for a period of 30 days after written notice thereof shall have been given by the Company to the Agent or to the Company by the Agent.

6. **Default on Other Indebtedness.** A default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness (other than Indebtedness described in Section 10.1.1) of the Guarantors, the Company, any of their Subsidiaries, or any Joint Venture Affiliate having an aggregate principal amount in excess of \$20,000,000 or, in the case of Indebtedness of Joint Venture Affiliates, having an aggregate principal amount for which the Guarantors, the Company, or any of their Subsidiaries is contingently liable in excess of \$20,000,000 and which Indebtedness in the case of the Guarantors, the Company or any of their Subsidiaries is incurred after the Petition Date; or a default shall occur in the performance or observance of any obligation or condition with respect to any such Indebtedness if the effect of such default is to accelerate the maturity of any such Indebtedness or to permit the holder or holders thereof, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its expressed maturity; provided that any acceleration of Indebtedness of a Joint Venture Affiliate incurred prior to the Petition Date but outstanding thereafter will not constitute an Event of Default hereunder to the extent the amount of such accelerated Indebtedness is reflected in the Financial Forecast and is either repaid or the repayment thereof is stayed by the Bankruptcy Court.

7. **Judgments.** A final judgment which, together with other outstanding final judgments against the Company and its Subsidiaries, exceeds an aggregate of \$20,000,000 (to the extent such judgments are not covered by valid and collectible insurance from solvent unaffiliated insurers) shall be entered against the Company and/or any of its Subsidiaries and (a) within 30 days after entry thereof, judgments exceeding such amount shall not have been discharged, settled, bonded or execution thereof stayed pending appeal or, within 30 days after the expiration of any such stay, such judgments exceeding such amount shall not have been discharged, settled, bonded or execution thereof stayed or (b) an enforcement proceeding shall have been commenced (and not discharged, settled, bonded or execution thereof stayed) by any creditor upon judgments exceeding such amount.

8. **Pension Plans.** A contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien against assets of any Controlled Group member under section 302(f) of ERISA in an amount in excess of \$1,000,000, which failure has not been completely cured within 30 days of the applicable due date, unless such Lien is subordinate to the Agent's Security Interest.

9. Impairment of Certain Documents. Except as otherwise expressly permitted in any Loan Document, any of the Fundamental Loan Documents shall terminate or cease in whole or in part to be the legally valid, binding, and enforceable obligation of the relevant Obligor, or such Obligor or any Person acting for or on behalf of such Obligor contests such validity, binding effect, or enforceability, or purports to revoke any Fundamental Loan Document, or any asset or item of Property purported to be secured by any Collateral Document ceases to be so secured and continues not to be secured for ten Business Days after written notice thereof has been given to such Obligor by the Agent.

10. Bankruptcy Cases.

a. Any of the Bankruptcy Cases shall be dismissed or converted to a case under chapter 7 of the Bankruptcy Code, or any Debtor shall file an application for an order dismissing any Bankruptcy Case or converting any Bankruptcy Case to a case under chapter 7 of the Bankruptcy Code; or an application shall be filed by any Debtor for the approval of any other superpriority administrative claim or Lien in any Bankruptcy Case (other than the Carve-Out) which is pari passu with or senior to the Superpriority Claims or Liens of the Agent and/or any Lender against any Debtor, or there shall arise any such pari passu or senior superpriority administrative claim or lien (other than the Carve-Out).

b. The Bankruptcy Court shall enter an order or orders that are not vacated, reversed, rescinded or stayed pending appeal granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code to the holder or holders of any Lien to permit foreclosure (or the granting of a deed in lieu of foreclosure or the like) in any assets of the Company or any other Debtor with a value equal to or in excess of \$5,000,000; or an order shall be entered by the Bankruptcy Court granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code to permit the creation, perfection or enforcement of any judgment, Lien, levy or attachment based on any judgment, whether or not such judgment arises from or gives rise to a pre-petition or post-petition claim with a value equal to or in excess of \$5,000,000; or an order shall be entered by the Bankruptcy Court that is not stayed pending appeal otherwise granting relief from the automatic stay to any creditor of any Debtor (other than the Agent and the Lenders in their capacities as such) with respect to any claim with a value equal to or in excess of \$5,000,000; provided, however, that it shall not be an Event of Default if relief from the automatic stay is lifted solely for the purpose of (i) allowing such creditor to determine the liquidated amount of its claim against any Debtor; or (ii) seeking payment from a source other than any of any Debtor or any of their assets.

c. Any Debtor shall propose a Plan of Reorganization in any of the Bankruptcy Cases which does not include a provision for termination of the Revolving Commitments and indefeasible payment in full in cash of all Obligations hereunder and under the other Loan Documents (including the cancellation and return of all Letters of Credit, delivery of cash collateral with respect to such Letters of Credit or the deposit with the Agent of a Supporting Letter of Credit, in either case in an amount equal to the aggregate undrawn amount of such Letters of Credit) on or before the effective date of such Plan of Reorganization.

d. An order by the Bankruptcy Court shall be entered, or any Debtor shall file an application for an order, dismissing any Bankruptcy Case which does not require a provision for termination of the Revolving Commitments and indefeasible payment in full in cash of all Obligations hereunder and under the other Loan Documents (including the cancellation and return of all Letters of Credit, delivery of cash collateral with respect to such Letters of Credit or the deposit with the Agent of a Supporting Letter of Credit, in either case in an amount equal to the aggregate undrawn amount of such Letters of Credit) prior to any such dismissal.

e. An order by the Bankruptcy Court shall be entered in or with respect to any of the Bankruptcy Cases or any Debtor shall file an application for an order with respect to any Bankruptcy Case, to revoke, reverse, stay, rescind, modify, vacate, supplement or amend the Interim Order or the Final Order;

f. An application for any of the orders described in any or all of clauses (a), (b), (c), (d) or (e) above shall be made by a Person other than a Debtor and such application is not contested by the Company and/or the Secured Guarantors, as applicable, in good faith or the relief requested is granted in an order that is not vacated, reversed, rescinded or stayed pending appeal; or

g. (i) The Interim Order shall cease to be in full force and effect and the Final Order shall not have been entered prior to such cessation, or (ii) the Final Order shall not have been entered by the Bankruptcy Court on or before the 45th day following the Petition Date, or (iii) from and after the date of entry thereof, the Final Order shall cease to be in full force and effect, or (iv) a Debtor shall fail to comply in all material respects with the terms of the Interim Order or the Final Order, or (v) the Interim Order or the Final Order shall be amended, supplemented, stayed, reversed, vacated or otherwise modified (or a Debtor shall apply for authority to do so); or

h. The Bankruptcy Court shall enter an order appointing a trustee in any of the Bankruptcy Cases or appointing a responsible officer or an examiner with powers beyond the duty to investigate and report, as set forth in section 1106(a)(3) and (4) of the Bankruptcy Code, in any of the Bankruptcy Cases.

11. **Actions against Unsecured Guarantors.** Any creditor of any Unsecured Guarantor takes any action to collect or otherwise enforce any Indebtedness of any Unsecured Guarantor, or any rights, remedies or obligations under any documents creating or evidencing such Indebtedness, at law or in equity, including without limitation, making any demand for payment, bringing suit in any court or before any tribunal, seeking to attach property, perfect Liens or otherwise assert any security interests, Liens or claims (by setoff or otherwise), filing any involuntary petition against any Unsecured Guarantor under the Bankruptcy Code or taking any equivalent action under any other law affecting the rights of creditors, seeking to attach any assets of any Unsecured Guarantor, exercising any right of offset, or seeking any injunction under applicable laws."