
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

Commission file number 1-9447

KAISER ALUMINUM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

94-3030279
(I.R.S. Employer Identification
No.)

5847 SAN FELIPE, SUITE 2600, HOUSTON, TEXAS 77057-3010
(Address of principal executive offices) (Zip Code)

(713) 267-3777
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

At October 31, 1997, the registrant had 78,980,881 shares of Common Stock outstanding.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(In millions of dollars)

September 30, December 31,
1997 1996

ASSETS		(Unaudited)	
Current assets:			
Cash and cash equivalents	\$ 26.3	\$	81.3
Receivables	305.0		252.4
Inventories	553.3		562.2
Prepaid expenses and other current assets	125.1		127.8
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Total current assets	1,009.7		1,023.7
Investments in and advances to unconsolidated affiliates	158.1		168.4
Property, plant, and equipment - net	1,162.9		1,168.7
Deferred income taxes	298.0		264.5
Other assets	335.6		308.7
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Total	\$ 2,964.3	\$	2,934.0
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LIABILITIES & STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 161.1	\$	189.7
Accrued interest	24.8		35.6
Accrued salaries, wages, and related expenses	76.7		95.4
Accrued postretirement medical benefit obligation - current portion	50.1		50.1
Other accrued liabilities	121.4		132.7
Payable to affiliates	103.1		97.0
Long-term debt - current portion	2.7		8.9
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Total current liabilities	539.9		609.4
Long-term liabilities	515.8		458.1
Accrued postretirement medical benefit obligation	714.6		722.5
Long-term debt	969.3		953.0
Minority interests	124.7		121.7
Commitments and contingencies			
Stockholders' equity:			
Preferred stock			.4
Common stock	.8		.7
Additional capital	534.0		531.1
Accumulated deficit	(432.0)		(460.1)
Additional minimum pension liability	(2.8)		(2.8)
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Total stockholders' equity	100.0		69.3
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Total	\$ 2,964.3	\$	2,934.0
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The accompanying notes to interim consolidated financial statements are an integral part of these statements.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED INCOME (LOSS)

(Unaudited)

(In millions of dollars, except share amounts)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
Net sales	\$ 634.1	\$ 553.4	\$ 1,778.6	\$ 1,652.1
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Costs and expenses:				
Cost of products sold	523.7	485.0	1,473.7	1,394.8
Depreciation	22.9	24.3	68.8	72.5
Selling, administrative, research and development, and general	33.0	33.6	95.3	97.4
Restructuring of operations			19.7	
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Total costs and expenses	579.6	542.9	1,657.5	1,564.7
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Operating income	54.5	10.5	121.1	87.4
Other income (expense):				
Interest expense	(27.5)	(22.6)	(83.3)	(68.3)
Other - net	2.1	2.1	1.7	3.0
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Income (loss) before income taxes and minority interests	29.1	(10.0)	39.5	22.1
(Provision) benefit for income taxes	(11.0)	3.8	(2.4)	(8.4)
Minority interests	(.6)	(.4)	(3.3)	(2.2)
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Net income (loss)	17.5	(6.6)	33.8	11.5
Dividends on preferred stock	(1.3)	(2.1)	(5.5)	(6.3)
Net income (loss) available to common shareholders	\$ 16.2	\$ (8.7)	\$ 28.3	\$ 5.2
Earnings (loss) per common and common equivalent share:				
Primary	\$.22	\$ (.12)	\$.39	\$.07
Fully diluted	\$.22		\$.43	
Weighted average common and common equivalent shares outstanding (000):				
Primary	74,663	71,646	72,775	71,843
Fully diluted	79,193		79,164	

The accompanying notes to interim consolidated financial statements are an integral part of these statements.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

(Unaudited)

(In millions of dollars)

	Nine Months Ended September 30,	
	1997	1996
Cash flows from operating activities:		
Net income	\$ 33.8	\$ 11.5
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	68.8	72.5
Restructuring of operations	19.7	
Non-cash benefit for income taxes	(12.5)	
Amortization of excess investment over equity in unconsolidated affiliates	8.7	8.7
Amortization of deferred financing costs and net discount on long-term debt	4.5	4.1
Undistributed equity in (income) loss of unconsolidated affiliates, net of distributions	16.7	(7.5)
Minority interests	3.3	2.2
(Increase) decrease in receivables	(59.5)	41.0
(Increase) decrease in inventories	5.7	(19.8)
(Increase) decrease in prepaid expenses and other assets	1.1	(38.1)
Decrease in accounts payable	(28.6)	(24.1)
Decrease in accrued interest	(10.8)	(18.4)
Decrease in payable to affiliates and accrued liabilities	(29.8)	(23.1)
Decrease in accrued and deferred income taxes	(2.1)	(18.6)
Other	3.6	4.6
Net cash provided (used) by operating activities	22.6	(5.0)
Cash flows from investing activities:		
Net proceeds from disposition of property and investments	22.2	1.6
Capital expenditures	(94.7)	(91.1)
Other	(2.6)	(1.3)
Net cash used by investing activities	(75.1)	(90.8)
Cash flows from financing activities:		
Borrowings under revolving credit facility, net		118.1
Borrowings of long-term debt	19.0	
Repayments of long-term debt	(8.6)	(9.0)
Increase in restricted cash, net	(6.5)	
Incurrence of financing costs	(0.6)	
Dividends paid	(4.2)	(8.4)
Capital stock issued	.4	
Redemption of minority interests' preference stock	(2.0)	(5.2)

Net cash provided (used) by financing activities	(2.5)	95.5
Net decrease in cash and cash equivalents during the period	(55.0)	(.3)
Cash and cash equivalents at beginning of period	81.3	21.9
Cash and cash equivalents at end of period	\$ 26.3	\$ 21.6
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest	\$ 89.5	\$ 82.7
Income taxes paid	14.8	22.4
Tax allocation payments to MAXXAM Inc.		1.1

The accompanying notes to interim consolidated financial statements are an integral part of these statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(In millions of dollars, except prices and per share amounts)

1. GENERAL

Kaiser Aluminum Corporation (the "Company") is a subsidiary of MAXXAM Inc. ("MAXXAM"). MAXXAM and one of its wholly owned subsidiaries together own approximately 63% of the Company's Common Stock with the remaining approximately 37% publicly held. The Company operates through its subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC").

The foregoing unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 1996. In the opinion of management, the unaudited interim consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's consolidated financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's consolidated financial position and results of operations.

Operating results for the quarter ended September 30, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

2. INVENTORIES

The classification of inventories is as follows:

	September 30, 1997	December 31, 1996
Finished fabricated aluminum products	\$ 95.4	\$ 113.5
Primary aluminum and work in process	220.7	200.3
Bauxite and alumina	110.5	110.2
Operating supplies and repair and maintenance parts	126.7	138.2

Total

\$ 553.3 \$ 562.2

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Substantially all product inventories are stated at last-in, first-out (LIFO) cost, not in excess of market. Replacement cost is not in excess of LIFO cost.

3. SOLID WASTE DISPOSAL REVENUE BONDS

In March 1997, KACC entered into an agreement (the "Loan Agreement") with the Industrial Development Corporation of Spokane County, Washington (the "IDC") in connection with which the IDC issued \$19.0 of 7.6% Solid Waste Disposal Revenue Bonds due 2027 (the "Bonds") and loaned the proceeds to KACC to finance the construction of certain qualifying expenditures at its Mead smelter, which are part of the previously announced modernization and expansion of Mead's carbon baking furnace. The net proceeds from the sale of the Bonds of approximately \$18.6 were deposited into a restricted construction account (the balance of which is included in Other assets) and may be withdrawn from time to time by KACC, pursuant to the Loan Agreement and Bond indenture. The Loan Agreement requires KACC to make payments on the dates and in the amounts required to permit the IDC to satisfy all of its payment obligations under the Bonds and related indenture.

4. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

PRIMARY

Earnings per common and common equivalent share are computed by deducting dividends on the 8.255% PRIDES, Convertible Preferred Stock (the "PRIDES") from net income in order to determine net income available to common shareholders. This amount is then divided by the weighted average number of common and common equivalent shares outstanding during the period. The impact of the number of outstanding stock options on the weighted average number of common and common equivalent shares for the quarters and nine month periods ended September 30, 1997, and 1996, was immaterial.

FULLY DILUTED

For the quarter and nine months ended September 30, 1997, fully diluted earnings per share are presented even though the results are antidilutive as a result of the August 1997 conversion of the PRIDES. The fully diluted computations for these periods assume that the conversion of the PRIDES had occurred at the beginning of each period. Accordingly, the dividend amounts for the quarter and nine-month period ended September 30, 1997, of \$1.3 and \$5.5, respectively, have not been deducted from net income and the weighted average number of common and common equivalent shares has been adjusted to reflect the 7,227,848 shares of the Company's Common Stock issued upon conversion of the PRIDES in August 1997 as if they had been outstanding from the beginning of each period.

The PRIDES were excluded from the calculation of the weighted average number of common and common equivalent shares outstanding for the quarter and nine-months ended September 30, 1996, because they were antidilutive.

NEW ACCOUNTING PRONOUNCEMENT

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). Under SFAS No. 128, primary earnings per share ("Primary EPS") will be replaced by basic earnings per share ("Basic EPS"), and fully diluted earnings per share ("Fully Diluted EPS") will be replaced with diluted earnings per share ("Diluted EPS"). Basic EPS differs from Primary EPS in that it only includes the weighted average impact of outstanding shares of the Company's Common Stock (i.e., it excludes common stock equivalents and the dilutive effect of options, etc.) Diluted EPS is substantially similar to Fully Diluted EPS as previously reported. The provisions of SFAS No. 128 will result in the retroactive restatement of previously reported Primary EPS and Fully Diluted EPS figures, but SFAS No. 128 prohibits such restatement prior to December 31, 1997. Based on the Company's computations, the adoption of SFAS No. 128 is not expected to impact earnings per share amounts reported during the current quarter or any recent prior period.

5. CONTINGENCIES

ENVIRONMENTAL CONTINGENCIES

The Company and KACC are subject to a number of environmental laws, to fines or penalties assessed for alleged breaches of such environmental laws, and to claims and litigation based upon such laws. KACC currently is subject to a number of lawsuits under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments Reauthorization Act of 1986 ("CERCLA"), and, along with certain other entities, has been named as a potentially responsible party for remedial costs at certain third-party sites listed on the National Priorities List under CERCLA.

Based on the Company's evaluation of these and other environmental matters, the Company has established environmental accruals primarily related to potential solid waste disposal and soil and groundwater remediation matters. At September 30, 1997, the balance of such accruals, which are primarily included in Long-term liabilities, was \$30.8. These environmental accruals represent the Company's estimate of costs reasonably expected to be incurred based on presently enacted laws and regulations, currently available facts, existing technology, and the Company's assessment of the likely remediation actions to be taken. The Company expects that these remediation actions will be taken over the next several years and estimates that annual expenditures to be charged to these environmental accruals will be approximately \$3.0 to \$8.0 for the years 1997 through 2001 and an aggregate of approximately \$7.0 thereafter.

As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation are established or alternative technologies are developed, changes in these and other factors may result in actual costs exceeding the current environmental accruals. The Company believes that it is reasonably possible that costs associated with these environmental matters may exceed current accruals by amounts that could range, in the aggregate, up to an estimated \$19.0. As the resolution of these matters is subject to further regulatory review and approval, no specific assurance can be given as to when the factors upon which a substantial portion of this estimate is based can be expected to be resolved. However, the Company is currently working to resolve certain of these matters. While uncertainties are inherent in the final outcome of these environmental matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management currently believes that the resolution of such uncertainties should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

ASBESTOS CONTINGENCIES

KACC is a defendant in a number of lawsuits, some of which involve claims of multiple persons, in which the plaintiffs allege that certain of their injuries were caused by, among other things, exposure to asbestos during, and as a result of, their employment or association with KACC or exposure to products containing asbestos produced or sold by KACC. The lawsuits generally relate to products KACC has not manufactured for at least 20 years. At September 30, 1997, the number of such claims pending was approximately 71,200, as compared with 71,100 at December 31, 1996. In 1996, approximately 21,100 of such claims were received and 9,700 were settled or dismissed. During the quarter and nine months ended September 30, 1997, approximately 3,400 and 9,000 of such claims were received and 6,500 and 8,900 of such claims were settled or dismissed, respectively.

Based on past experience and reasonably anticipated future activity, the Company has established an accrual for estimated asbestos-related costs for claims filed and estimated to be filed through 2008. There are inherent uncertainties involved in estimating asbestos-related costs, and the Company's actual costs could exceed or be less than these estimates. The Company's accrual was calculated based on the current and anticipated number of asbestos-related claims, the prior timing and amounts of asbestos-related payments, and the advice of Wharton Levin Ehrmantraut Klein & Nash, P.A. with respect to the current state of the law related to asbestos claims. Accordingly, an estimated asbestos-related cost accrual of \$156.8, before consideration of insurance recoveries, is included primarily in Long-term liabilities at September 30, 1997. While the Company does not presently believe there is a reasonable basis for estimating such costs beyond 2008 and, accordingly, no accrual has been recorded for such costs which may be incurred beyond 2008, there is a reasonable possibility that such costs may continue beyond 2008, and such costs may be substantial. The Company estimates that annual future cash payments in connection with such litigation will be approximately \$13.0 to

\$20.0 for each of the years 1997 through 2001, and an aggregate of approximately \$86.0 thereafter.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. Claims for recovery from some of KACC's insurance carriers are currently subject to pending litigation and other carriers have raised certain defenses, which have resulted in delays in recovering costs from the insurance carriers. The timing and amount of ultimate recoveries from these insurance carriers are dependent upon the resolution of these disputes. The Company believes, based on prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of Thelen, Marrin, Johnson & Bridges LLP with respect to applicable insurance coverage law relating to the terms and conditions of those policies, that substantial recoveries from the insurance carriers are probable. Accordingly, an estimated aggregate insurance recovery of \$127.9, determined on the same basis as the asbestos-related cost accrual, is recorded primarily in Other assets at September 30, 1997.

Management continues to monitor claims activity, the status of lawsuits (including settlement initiatives), legislative progress, and costs incurred in order to ascertain whether an adjustment to the existing accruals should be made to the extent that historical experience may differ significantly from the Company's underlying assumptions. While uncertainties are inherent in the final outcome of these asbestos matters and it is presently impossible to determine the actual costs that ultimately may be incurred and insurance recoveries that will be received, management currently believes that, based on the factors discussed in the preceding paragraphs, the resolution of asbestos-related uncertainties and the incurrence of asbestos-related costs net of related insurance recoveries should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

OTHER CONTINGENCIES

The Company and KACC are involved in various other claims, lawsuits, and other proceedings relating to a wide variety of matters. While uncertainties are inherent in the final outcome of such matters, and it is presently impossible to determine the actual costs that ultimately may be incurred, management currently believes that the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

See Note 8 of the Notes to Consolidated Financial Statements for the year ended December 31, 1996.

6. DERIVATIVE FINANCIAL INSTRUMENTS AND RELATED HEDGING PROGRAMS

At September 30, 1997, the net unrealized loss, including unamortized net option premiums, on KACC's position in aluminum forward sales and option contracts, (based on an average price of \$1,647 per ton* (\$.75 per pound) of primary aluminum), natural gas and fuel oil forward purchase and option contracts, and forward foreign exchange contracts, was approximately \$11.6.

ALUMINA AND ALUMINUM

The Company's earnings are sensitive to changes in the prices of alumina, primary aluminum and fabricated aluminum products, and also depend to a significant degree upon the volume and mix of all products sold. Primary aluminum prices have historically been subject to significant cyclical fluctuations. During the period from January 1, 1993, through

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*All references to tons in this report refer to metric tons of 2,204.6 pounds.

September 30, 1997, the Average Midwest United States transaction price for primary aluminum has ranged from approximately \$.50 to \$1.00 per pound. Alumina prices as well as fabricated aluminum product prices (which vary considerably among products) are significantly influenced by changes in the price of primary aluminum but generally lag behind primary aluminum price changes by up to three months.

From time to time in the ordinary course of business, KACC enters into hedging transactions to provide price risk management in respect of the net exposure of earnings resulting from (i) anticipated sales of alumina,

primary aluminum and fabricated aluminum products, less (ii) expected purchases of certain items, such as aluminum scrap, rolling ingot, and bauxite, whose prices fluctuate with the price of primary aluminum. Forward sales contracts are used by KACC to effectively lock-in or fix the price that KACC will receive for its shipments. KACC also uses option contracts (i) to establish a minimum price for its product shipments, (ii) to establish a "collar" or range of prices for KACC's anticipated sales, and/or (iii) to permit KACC to realize possible upside price movements. As of September 30, 1997, KACC had sold forward, at fixed prices, approximately 17,300, 93,600 and 24,000 tons of primary aluminum with respect to 1997, 1998 and 1999, respectively. As of September 30, 1997, KACC had also purchased put options to establish a minimum price for approximately 42,100 and 52,000 tons of primary aluminum with respect to 1997 and 1998, respectively, and had entered into option contracts that established a price range for an additional 51,000, 231,600 and 124,500 tons for 1997, 1998 and 1999, respectively.

As of September 30, 1997, KACC had sold forward virtually all of the alumina available to it in excess of its projected internal smelting requirements for 1997, 1998 and 1999 at prices indexed to future prices of primary aluminum.

ENERGY

KACC is exposed to energy price risk from fluctuating prices for fuel oil and natural gas consumed in the production process. Accordingly, KACC from time to time in the ordinary course of business enters into hedging transactions with major suppliers of energy and energy related financial instruments. As of September 30, 1997, KACC had a combination of fixed price purchase and option contracts for the purchase of approximately 44,000 MMBtu of natural gas per day during the remainder of 1997, and for 41,000 MMBtu of natural gas per day for 1998. As of September 30, 1997, KACC also held a combination of fixed price purchase and option contracts for an average of 228,000, 232,000 and 25,000 barrels of fuel oil per month for 1997, 1998, and 1999, respectively.

FOREIGN CURRENCY

KACC enters into forward exchange contracts to hedge material cash commitments to foreign subsidiaries or affiliates. At September 30, 1997, KACC had net forward foreign exchange contracts totaling approximately \$135.0 for the purchase of 175.5 Australian dollars from October 1997 through December 1998, in respect of its commitments for 1997 and 1998 expenditures denominated in Australian dollars. At September 30, 1997, KACC also held options to purchase approximately 10.0 Australian dollars over the last three months of 1997.

See Note 9 of the Notes to Consolidated Financial Statements for the year ended December 31, 1996.

7. RESTRUCTURING OF OPERATIONS

The Company has previously disclosed that it set a goal of achieving significant cost reductions and other profit improvements, with the full effect planned to be realized in 1998 and beyond, measured against 1996 results. The initiative is based on the Company's conclusion that the level of performance of its existing facilities and businesses would not achieve the level of profits the Company considers satisfactory based upon historic long-term average prices for primary aluminum and alumina. During the second quarter of 1997, the Company recorded a \$19.7 restructuring charge to reflect actions taken and plans initiated to achieve the reduced production costs, decreased corporate selling, general and administrative expenses, and enhanced product mix intended to achieve this goal. The significant components of the restructuring charge are enumerated below.

ERIE PLANT DISPOSITION

During the second quarter of 1997, the Company formed a joint venture with a third party related to the assets and liabilities associated with the wheel manufacturing operations at its Erie, Pennsylvania, fabrication plant. Management subsequently decided to close the remainder of the Erie plant in order to consolidate its aluminum forgings operations at two other facilities for increased efficiency. As a result of the joint venture formation and plant closure, the Company recognized a net pre-tax loss of approximately \$1.4.

OTHER ASSET DISPOSITIONS

As a part of the Company's profit enhancement and cost reduction

initiative, management made decisions regarding product rationalization and geographical optimization, which led management to decide to dispose of certain assets which had nominal operating contribution. These strategic decisions resulted in the Company recognizing a pre-tax charge for approximately \$15.6 associated with such asset dispositions.

EMPLOYEE AND OTHER COSTS

As a part of the Company's profit enhancement and cost reduction initiative, management concluded that certain corporate and other staff functions could be consolidated or eliminated resulting in a second quarter pre-tax charge of approximately \$2.7 for benefit and other costs.

8. COMPLETED ACQUISITION

During June 1997, Kaiser Bellwood Corporation, a newly formed, wholly owned subsidiary of KACC, completed the acquisition of Reynolds Metals Company's Bellwood, Virginia, extrusion plant and its existing inventories for a total purchase price (after post-closing adjustments) of \$41.6, consisting of cash payments of \$38.4 and the assumption of approximately \$3.2 of employee related and other liabilities. Upon completion of the transaction, Kaiser Bellwood Corporation became a subsidiary guarantor under the indentures in respect of KACC's 9-7/8% Senior Notes due 2002, 10-7/8% Series B and Series D Senior Notes due 2006, and 12-3/4% Senior Subordinated Notes due 2003.

9. CONVERSION OF PRIDES TO COMMON STOCK

During August 1997, the 8,673,850 outstanding shares of PRIDES were converted into 7,227,848 shares of Common Stock pursuant to the terms of the PRIDES Certificate of Designations. Further, in accordance with the PRIDES Certificate of Designations, no dividends were paid or payable for the period June 30, 1997, to, but not including, the date of conversion. However, in accordance with generally accepted accounting principles, the \$1.3 of accrued dividends attributable to the period June 30, 1997, to, but not including, the conversion date is treated as an increase in Additional capital at the date of conversion and must still be reflected as a reduction of Net income (loss) available to common shareholders.

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

This section should be read in conjunction with the response to Item 1, Part I, of this Report.

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this section (see, for example, "Profit Enhancement and Cost Reduction Initiative," "Results of Operations," and "Liquidity and Capital Resources"). Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements, and changing prices and market conditions. This section and the Company's Annual Report on Form 10-K for the year ended December 31, 1996, each identify other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

RECENT EVENTS AND DEVELOPMENTS

The Company has previously disclosed that it has a goal of achieving significant cost reductions and other profit improvements, with the full effect planned to be realized in 1998 and beyond, measured against 1996 results. The initiative is based on the Company's conclusion that the level of performance of its existing facilities and businesses would not

achieve the level of profits the Company considers satisfactory based upon historic long-term average prices for primary aluminum and alumina. During the second quarter of 1997, the Company recorded a \$19.7 million restructuring charge to reflect actions taken and plans initiated to achieve the reduced production costs, decreased corporate selling, general and administrative expenses, and enhanced product mix intended to achieve this goal. See Note 7 of the Notes to Interim Consolidated Financial Statements.

During June 1997, Kaiser Bellwood Corporation, a newly formed, wholly owned subsidiary of the Company, completed the acquisition of Reynolds Metals Company's Bellwood, Virginia, extrusion plant and its existing inventories for a total purchase price of \$41.6 million. See Note 8 of Notes to Interim Consolidated Financial Statements.

During August 1997, the 8,673,850 outstanding shares of PRIDES were converted into 7,227,848 shares of Common Stock pursuant to the terms of the PRIDES Certificate of Designations.

The Company currently anticipates that the Volta River Authority may partially reduce its electric power allocation to the Company's 90% owned Volta Aluminium Company Limited ("Valco") smelter facility in Ghana in 1998. Informal discussions with local officials suggest that regional rainfall has been insufficient to raise the level of the lake, from which the facility receives its hydroelectric power, to maintain the current level of power for the coming year. Formal notice of Valco's 1998 power allocation is expected on or about November 15, 1997. Meetings are planned with local officials for early November to discuss the situation.

RESULTS OF OPERATIONS

The table on the following page provides selected operational and financial information on a consolidated basis with respect to the Company for the quarters and nine month periods ended September 30, 1997, and 1996. As an integrated aluminum producer, the Company uses a portion of its bauxite, alumina, and primary aluminum production for additional processing at certain of its other facilities. Intracompany shipments and sales are excluded from the information set forth on the following page.

Interim results are not necessarily indicative of those for a full year.

SELECTED OPERATIONAL AND FINANCIAL INFORMATION (Unaudited) (In millions of dollars, except shipments and prices)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
Shipments: (1)				
Alumina	579.2	598.6	1,457.0	1,506.7
Aluminum products:				
Primary aluminum	86.4	88.1	246.9	262.9
Fabricated aluminum products	105.2	83.1	299.5	245.4
Total aluminum products	191.6	171.2	546.4	508.3
Average realized sales price:				
Alumina (per ton)	\$ 200	\$ 187	\$ 196	\$ 199
Primary aluminum (per pound)	.76	.67	.75	.69
Net sales:				
Bauxite and alumina:				
Alumina	\$ 115.9	\$ 111.7	\$ 285.6	\$ 300.2
Other (2) (3)	27.1	25.8	80.2	77.2
Total bauxite and alumina	143.0	137.5	365.8	377.4
Aluminum processing:				
Primary aluminum	145.0	130.6	409.5	402.8
Fabricated aluminum products	341.7	282.4	990.6	861.4
Other (3)	4.4	2.9	12.7	10.5
Total aluminum processing	491.1	415.9	1,412.8	1,274.7
Total net sales	\$ 634.1	\$ 553.4	\$ 1,778.6	\$ 1,652.1
Operating income (loss):				
Bauxite and alumina	\$ 8.8	\$ (2.1)	\$ 14.8	\$ 8.8
Aluminum processing (4)	64.1	29.1	161.6	127.8

Corporate (5)	(18.4)	(16.5)	(55.3)	(49.2)
Total operating income	\$ 54.5	\$ 10.5	\$ 121.1	\$ 87.4
Net income (loss)	\$ 17.5	\$ (6.6)	\$ 33.8	\$ 11.5
Capital expenditures	\$ 25.9	\$ 39.2	\$ 94.7	\$ 91.1

[FN]

-
- (1) In thousands of metric tons.
 - (2) Includes net sales of bauxite.
 - (3) Includes the portion of net sales attributable to minority interests in consolidated subsidiaries.
 - (4) Operating income for the nine months ended September 30, 1997 includes a pre-tax charge of \$15.1 related to restructuring of operations recorded in the quarter ended June 30, 1997.
 - (5) Operating income for the nine months ended September 30, 1997 includes a pre-tax charge of \$4.6 related to restructuring of operations recorded in the quarter ended June 30, 1997.

</FN>

OVERVIEW

The Company's operating results are sensitive to changes in prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree on the volume and mix of all products sold and on KACC's hedging strategies. Primary aluminum prices have historically been subject to significant cyclical fluctuations. Alumina prices as well as fabricated aluminum product prices (which vary considerably among products) are significantly influenced by changes in the price of primary aluminum but generally lag behind primary aluminum price changes by up to three months.

During the first nine months of 1997, the Average Midwest United States transaction price ("AMT Price") for primary aluminum remained relatively stable generally in the \$.75 - \$.80 per pound range. The AMT Price for primary aluminum for the week ended October 31, 1997, was approximately \$.77 per pound. This compares favorably to 1996 when the AMT Price remained fairly stable generally in the \$.70 - \$.75 range through June and then declined during the second half of the year, reaching a low of approximately \$.65 per pound for October 1996, before recovering late in the year.

See Note 6 of the Notes to Interim Consolidated Financial Statements for a discussion of KACC's hedging activities.

QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 1997, COMPARED TO QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 1996

SUMMARY

The Company reported net income of \$17.5 million, or \$.22 per common and common equivalent share, for the third quarter of 1997, compared to a net loss of \$6.6 million, or \$.12 per common and common equivalent share, for the same period of 1996. Net sales in the third quarter of 1997 totaled \$634.1 million compared to \$553.4 million in the third quarter of 1996.

For the nine-month period ended September 30, 1997, net income was \$33.8 million, or \$.39 per common and common equivalent share compared to net income of \$11.5 million, or \$.07 per common and common equivalent per share for the nine-month period ended September 30, 1996. Net sales for the nine months ended September 30, 1997, were \$1,778.6 million compared to \$1,652.1 million for the first nine months of 1996.

Results for the nine-month period ended September 30, 1997, include the effect of certain non-recurring items including a \$19.7 million restructuring charge (discussed above), an approximate \$12.5 million non-cash tax benefit related to settlement of certain matters and a \$5.8 million charge related to additional litigation reserves. Excluding these items, net income for the nine-month period ended September 30, 1997, would have been approximately \$37.1 million, and primary earnings per common and common equivalent share for the period would have been \$.43.

BAUXITE AND ALUMINA

Net sales of alumina increased by 4% for the quarter ended September 30, 1997, from the comparable period in the prior year, as a result of a 7%

increase in average realized prices from the sale of alumina, offset by a 3% decline in alumina shipments. Shipment volumes were down as compared to the quarter ended September 30, 1996, primarily as a result of the timing of shipments. For the nine-month period ended September 30, 1997, net segment sales declined by 3% from the comparable period in the prior year. This change was due to a 2% decrease in average realized prices between periods and a 3% reduction in alumina shipments.

Segment operating income improved substantially on a quarter to quarter basis and, to a lesser extent, for the comparative nine month periods as well. On a quarterly basis, the improvement resulted primarily from improvements in average realized prices and operating efficiencies and reduced raw material and energy prices. On a year-to-date basis, these improvements were somewhat offset by the impact of reductions in both the average realized alumina price and alumina shipments as discussed above.

ALUMINUM PROCESSING

Net sales of primary aluminum for the quarter ended September 30, 1997, increased by 11% from the comparable prior year period as a result of a 13% increase in average realized prices offset by a 2% decrease in shipments. Net sales of fabricated aluminum products for the quarter ended September 30, 1997, were up 21% as compared to the prior year period as a result of a 27% increase in shipments offset by a 4% decrease in average realized prices. The increase in fabricated aluminum product shipments over the third quarter of 1996 was the result of the Company's June 1997 acquisition of an extrusion facility in Bellwood, Virginia, as well as increased international sales of can sheet and increased shipments of heat-treated products.

For the nine-month period ended September 30, 1997, net sales for the aluminum processing segment increased by approximately 11% from the comparable prior year period primarily as a result of a 15% increase in fabricated aluminum product net sales. The increase in fabricated product net sales resulted from the same shipment and price factors discussed in the preceding paragraph. Net sales of primary aluminum for the nine-month period ended September 30, 1997, were basically flat as compared to the prior year as reduced shipments for the period were offset by an increase in the average realized price.

In addition to being affected by the price and volume factors discussed above, the aluminum processing segment's operating income for the nine months ended September 30, 1997, also benefited from reduced power, raw material and supply costs as well as improved operating efficiencies. In addition, the segment's operating income for the quarter and nine month period ended September 30, 1997, includes approximately \$2.7 million and \$7.5 million of operating income realized during the periods, related to the settlement of certain issues related to energy service contracts. Operating income for the nine-month period ended September 30, 1997, also includes a \$15.1 million second quarter charge resulting from the restructuring of operations.

CORPORATE

Corporate operating expenses represent corporate general and administrative expenses, which are not allocated to the Company's business segments. Operating results for the nine-month period ended September 30, 1997, includes a pre-tax charge of approximately \$4.6 million associated with the Company's restructuring of operations.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL STRUCTURE

MAXXAM Inc. ("MAXXAM") and MAXXAM Group Holdings Inc. ("MGHI"), a wholly owned subsidiary of MAXXAM, collectively own approximately 63% of the Company's Common Stock, par value \$.01 per share. The remaining approximately 37% of the Company's Common Stock is publicly held.

MGHI has pledged 27,938,250 shares of the Company's Common Stock beneficially owned by it (the "Pledged Shares") as security for \$225.7 million of debt securities of one of its wholly owned subsidiaries. Additionally, MGHI has agreed to pledge up to 16,055,000 of such Pledged Shares as security for \$130.0 million of its debt securities should the security pledge related to the \$225.7 million of debt securities be released due to an early retirement of the related debt (other than by a refinancing).

The Company has an effective "shelf" registration statement covering the offering of up to 10,000,000 shares of the Company's Common Stock that are owned by MAXXAM. Any such offering would only be made by means of a prospectus. The Company will not receive any of the net proceeds from any transaction initiated by MAXXAM pursuant to this registration statement.

The Company also has an effective "shelf" registration statement covering the offering from time to time of up to \$150.0 million of equity securities. Any such offering will only be made by means of a prospectus.

The Credit Agreement does not permit the Company or KACC to pay any dividends on their common stock.

OPERATING ACTIVITIES

At September 30, 1997, the Company had working capital of \$469.8 million, compared with working capital of \$414.3 million at December 31, 1996. The increase in working capital was due primarily to an increase in Receivables and a decrease in Accounts payable partially offset by a decrease in Cash and cash equivalents.

INVESTING ACTIVITIES

Capital expenditures during the quarter and nine months ended September 30, 1997, were \$25.9 million and \$94.7 million, respectively, and were used primarily to acquire the Bellwood extrusion facility from Reynolds, improve production efficiency, reduce operating costs, expand capacity at existing facilities, and construct new facilities. The Company's first Micromill(TM) facility, which was constructed in Nevada during 1996 as a demonstration and production facility, achieved operational start-up by year-end 1996. The facility remained in a start-up mode during the first nine months of 1997 as the Company continued its efforts to implement the Micromill(TM) technology on a full scale basis. While the Micromill(TM) technology has not yet been fully implemented or commercialized, and no assurances can be given that the Company will ultimately be successful in this regards, the Company currently expects to commence limited product shipments to customers in the fourth quarter of 1997.

Total consolidated capital expenditures (of which approximately 7% is expected to be funded by the Company's minority partners in certain foreign joint ventures) are expected to be between \$70.0 and \$140.0 million per annum in each of 1997 through 1999. Management continues to evaluate numerous projects, all of which require substantial capital, including the Company's Micromill project, and other potential opportunities both in the United States and overseas.

Subsequent to September 30, 1997, a joint decision was made by a KACC subsidiary and its joint venture partner to terminate and dissolve the Sino-foreign aluminum joint venture in which the subsidiary had invested approximately \$9.0 million in 1995. Under the terms of the joint venture agreement and Chinese law, a distribution of the joint venture's net assets is to be made to each of the parties in respect of their individual ownership interests. The amount that will ultimately be received upon dissolution and the associated terms of any payments are the subject of ongoing negotiations and is subject to certain governmental approvals by officials of the People's Republic of China.

FINANCING ACTIVITIES AND LIQUIDITY

At September 30, 1997, the Company had long-term debt of \$972.0 million, compared with \$961.9 million at December 31, 1996. The change in long-term debt between periods is primarily the result of \$19.0 million of proceeds from the Spokane County, Washington, Solid Waste Disposal Revenue Bonds, which were loaned to KACC to finance certain qualifying capital expenditures at its Mead smelter, offset by scheduled payments of the current portion of long-term debt.

At September 30, 1997, \$273.8 million (of which \$73.8 million could have been used for letters of credit) was available to KACC under the Credit Agreement. Loans under the Credit Agreement bear interest at a spread (which varies based on the results of a financial test) over either a base rate or LIBOR at the Company's option. During the quarter and nine month period ended September 30, 1997, the average per annum interest rates on loans outstanding under the Credit Agreement were approximately 9.0% and 9.5%, respectively. Upon completion of the acquisition of the Bellwood facility, Kaiser Bellwood Corporation became a subsidiary guarantor under

the indentures in respect of KACC's 9-7/8% Senior Notes due 2002, 10-7/8% Series B and Series D Senior Notes due 2006, and 12-3/4% Senior Subordinated Notes due 2003.

Management believes that the Company's existing cash resources, together with cash flows from operations and borrowings under the Credit Agreement, will be sufficient to meet its working capital and capital expenditure requirements for the next year. Additionally, with respect to long-term liquidity, management believes that operating cash flow, together with the ability to obtain both short and long-term financing, should provide sufficient funds to meet the Company's working capital and capital expenditure requirements.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Asbestos-related Litigation

KACC is a defendant in a number of lawsuits, some of which involve claims of multiple persons, in which the plaintiffs allege that certain of their injuries were caused by, among other things, exposure to asbestos during, and as a result of, their employment or association with KACC or exposure to products containing asbestos produced or sold by KACC. The portion of Note 5 of the Notes to Interim Consolidated Financial Statements contained in this report under the heading "Asbestos Contingencies" is incorporated herein by reference. See Part I, Item 3. "LEGAL PROCEEDINGS - Asbestos-related Litigation" in the Company's Form 10-K for the year ended December 31, 1996.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit No.	Exhibit
-------------	---------

- 3.1 Restated Certificate of Incorporation of Kaiser Aluminum Corporation (the "Company" or "KAC"), dated February 21, 1991 (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-1, dated June 11, 1991, filed by KAC, Registration No. 33-37895).
- 3.2 Certificate of Retirement of KAC, dated October 24, 1995 (incorporated by reference to Exhibit 3.2 to the Report on Form 10-K for the period ended December 31, 1995, filed by KAC, File No. 1-9447).
- *3.3 Amended and Restated Bylaws of KAC, dated October 1, 1997.
- *4.7 Eleventh Amendment to Credit Agreement and Limited Waivers, dated as of October 20, 1997, amending the Credit Agreement, dated as of February 15, 1994, as amended, among KACC, KAC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent.
- *27 Financial Data Schedule.

(b) Reports on Form 8-K.

A Current Report on Form 8-K was filed by the Company (under Item 5.) on August 15, 1997, announcing the Company's intention to redeem its 8.255% PRIDES, Convertible Preferred Stock, par value \$.05 per share ("PRIDES"), on August 29, 1997, pursuant to the PRIDES Certificate of Designations.

* Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, who have signed this report on behalf of the registrant as the principal financial officer and principal accounting officer of the registrant, respectively.

KAISER ALUMINUM CORPORATION

/s/ John T. La Duc
By: -----
John T. La Duc
Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Daniel D. Maddox
By: -----
Daniel D. Maddox
Controller - Corporate
Consolidation and Reporting
(Principal Accounting Officer)

Dated: November 5, 1997

<ARTICLE> 5

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This schedule contains summary financial information extracted from the consolidated financial statements of the Company for the nine months ended September 30, 1997, and is qualified in its entirety by reference to such financial statements.

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<CIK> 0000811596

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AMENDED AND RESTATED BY-LAWS

OF

KAISER ALUMINUM CORPORATION

October 1, 1997

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AMENDED AND RESTATED
BY-LAWS
OF
KAISER ALUMINUM CORPORATION
(A Delaware corporation)

Article I - OFFICES

SECTION 1. Registered Office. The registered office of

the Corporation shall be located at Corporation Trust Center,
1209 Orange Street, Wilmington, Delaware. The name of
the registered agent in charge thereof is The Corporation
Trust Company.

SECTION 2. Offices. Offices may at any time be

established by the Board of Directors at any place or places,
within or without the State of Delaware.

Article II - MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. All meetings of

Stockholders for the election of Directors shall be held at the principal office of the Corporation or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of the Stockholders for any other purpose may be held at such place as shall be stated in the notice of the meeting.

SECTION 2. Annual Meetings. The Board of Directors

acting by resolution may postpone and reschedule any previously scheduled annual meeting of Stockholders.

Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the Stockholders may be made at an annual meeting of Stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors, or (c) by any Stockholder of the Corporation who was a Stockholder of record at the time of giving of notice provided for in this By-law, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this By-law.

For nominations for Directors or other business to be properly brought before an annual meeting by a Stockholder pursuant to clause (c) of the foregoing paragraph of this By-law, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the Stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Such Stockholder's notice shall set forth (a) as to each person whom the Stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitation of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (b) as to any other business that the Stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such Stockholder and the beneficial owner, if any, on whose behalf the nomination or proposal is made as well as (i) the name and address of such Stockholder, as they appear on the Corporation's books, and of such beneficial owner, if applicable, and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such Stockholder and such beneficial owner, if applicable.

Notwithstanding anything herein to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a Stockholder's notice required by this By-law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

Only such persons who are nominated in accordance with the procedures set forth in these By-laws shall be eligible to serve as Directors and only such business shall be conducted at an annual meeting of Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-law. The chairman of the meeting shall have the power and duty to determine whether any nomination or business proposed to be brought before the meeting was made in accordance with the procedures set forth in these By-laws and, if any proposed nomination or business is not in compliance with these By-laws, to declare that such defective proposal shall be disregarded.

For purposes of this By-law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Services, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this By-law, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-law. Nothing in this By-law shall be deemed to affect any rights of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 3. Special Meetings. Business transacted at all

special meetings shall be confined to the specific purpose or purposes of the persons authorized to request such special meeting as set forth in this Section 3 and only such purpose or purposes shall be set forth in the notice of such meeting. The Board of Directors acting by resolution may postpone and reschedule any previously scheduled special meeting of Stockholders.

Nominations of persons for election to the Board of Directors may be made at a special meeting of Stockholders at which Directors are to be elected (a) pursuant to the Corporation's notice of meeting (b) by or at the direction of the Board of Directors or (c) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of notice provided for in this By-law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this By-law. Nominations by Stockholders of persons for election to the Board of Directors may be made at such a special meeting of Stockholders if the Stockholder's notice required by the third paragraph of Section 2 of Article II of these By-laws shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

Only such persons who are nominated in accordance with the procedures set forth in these By-laws shall be eligible to serve as Directors and only such business shall be conducted at a special meeting of the Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-law. The chairman of the meeting shall have the power and duty to determine whether any nomination or business proposed to be brought before the meeting was made in accordance with the procedures set forth in this By-law, and if any proposed nomination or business is not in compliance with this By-law, to declare that such defective proposal shall be disregarded.

Notwithstanding the foregoing provisions of this By-law, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-law. Nothing in this By-law shall be deemed to affect any rights of Stockholders to

request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 4. Adjourned Meetings, Notice. Any

Stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time, to be reconvened at the same or some other place, by the vote of a majority of the shares entitled to vote thereon, the holders of which are either present in person or represented by proxy thereat. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting, but in the absence of a quorum no other business may be transacted at any such meeting.

When any Stockholders' meeting, either annual or special, is adjourned for thirty (30) days or more or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, if the time and place of the adjourned meeting are announced at the meeting at which such adjournment is taken.

SECTION 5. Voting. At all meetings of Stockholders,

every registered Stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name on the stock records of the Corporation; provided, however, that at all elections of Directors each holder of record of stock entitled to vote for the election of Directors shall be entitled to one vote for each share of such stock held by such Stockholder for each Director's position to be filled. Cumulative voting for Directors shall not be permitted. Voting shall be conducted by ballot.

SECTION 6. Quorum. Subject to any provisions of the

Certificate of Incorporation relating to a quorum at meetings at which the holders of shares of stock of any class are entitled to vote separately as a class, the presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business. The Stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

SECTION 7. Proxies. Every person entitled to vote at

a meeting of Stockholders shall have the right to do so either in person or by an agent or agents authorized by a proxy furnished in accordance with applicable law. A Stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation.

SECTION 8. Inspectors. Prior to any meeting of

Stockholders, the Board of Directors or the President shall appoint one or more inspectors to act at such meeting and make a written report thereof and may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at the meeting of Stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, determine and retain for a

reasonable period a record of the disposition of any challenges made to any determination by the inspectors and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons to assist them in the performance of their duties. The date and time of the opening and closing of the polls for each matter upon which the Stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxy or vote, nor any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls. The inspectors shall determine the validity of proxies and ballots in accordance with applicable law.

SECTION 9. Procedural Rules. The Board of Directors of

the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of Stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business of the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to Stockholders of record of the Corporation and their duly authorized and constituted proxies, and such other persons as the chairman of the meeting shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comment by participants and regulation of the opening and closing of the polls for balloting determined by the Board of Directors or the chairman of the meeting. Meetings of Stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Article III - DIRECTORS

SECTION 1. Powers. Subject to the limitations of the

Certificate of Incorporation, the By-laws and the General Corporation Law of the State of Delaware as to action to be authorized or approved by the Stockholders, and subject to the duties of Directors as prescribed by the By-laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by or under the direction of, the Board of Directors.

SECTION 2. Number and Qualification of Directors. The

Board of Directors shall consist of not less than three (3) nor more than ten (10) members. The Board of Directors may, by resolution, designate the number of members of the Board of Directors. Directors need not be Stockholders.

SECTION 3. Election and Term of Office. The Directors

shall be elected at each annual meeting of Stockholders, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of Stockholders held for that purpose. All Directors shall hold office until their respective successors are elected and qualified or until their earlier resignation or removal.

SECTION 4. Vacancies. Vacancies and newly created

directorships in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at an annual or a special meeting of the Stockholders. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more Directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of

the Directors elected by such class or classes or series thereof then in office, or by the sole remaining Director so elected.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director.

The Stockholders may at any time elect Directors to fill any vacancy not filled by the Directors.

Any Director may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the time of receipt of such notice or at such later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If any Director resigns, the Board of Directors shall have power to elect a successor to take office at such time as the resignation shall become effective.

SECTION 5. Place of Meeting. Subject to the

provisions of Section 13 of this Article III, all meetings of the Board of Directors shall be held at the principal office of the Corporation or at such other place in the United States designated at any time by the Board of Directors.

SECTION 6. Annual Meeting. Immediately following each

annual meeting of Stockholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of all such regular meetings shall not be required.

SECTION 7. Other Regular Meetings. Other regular

meetings of the Board of Directors shall be held without call at such times as shall from time to time be determined by the Board of Directors. Notice of all such regular meetings shall not be required.

SECTION 8. Special Meetings. Special meetings of the

Board of Directors, for any purpose or purposes whatsoever, shall be called at any time only by the Chairman of the Board or by any two (2) of the Directors. Reasonable notice thereof shall be given by the person or persons calling the meeting.

SECTION 9. Quorum. At all meetings of the Board of

Directors a majority of the entire Board of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, except to fill vacancies in the Board of Directors as herein before provided, and except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors.

SECTION 10. Adjournment. A quorum of the Directors may

adjourn any Board of Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a Quorum a majority of the Directors present at any Board of Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors. Notice of the time and place of holding an adjourned meeting of a Board of Directors' meeting, either regular or special, need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

SECTION 11. Fees and Compensation. Directors shall

receive such compensation for their services and reimbursement for expenses as Directors as shall be determined from time to

time by resolution of the Board of Directors. Any Director may serve the Corporation in any other capacity as an Officer, agent, employee or otherwise and receive compensation therefor.

SECTION 12. Directors' Action Without Meetings. Any

action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent thereto is signed by all members of the Board of Directors or such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 13. Meetings by Telecommunication. Any

meeting, regular or special, of the Board of Directors or of any committee thereof may be held by conference telephone or similar communication equipment. Participation in such a meeting shall constitute presence in person at the meeting.

Article IV - COMMITTEES

SECTION 1. Committees. The Board of Directors may, by

resolution passed by a majority of the entire Board, designate one or more committees, each committee to consist of one or more Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the Certificate of Incorporation, adopting an agreement or merger or consolidation, recommending to the Stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the Stockholders dissolution of the Corporation or a revocation of dissolution, or amending these By-laws.

SECTION 2. Committee Rules. Unless the Board of

Directors otherwise provides, each committee designated by the Board of Directors may adopt, amend and repeal rules for the conduct of its business. Reasonable notice of each committee meeting (other than regularly scheduled meetings) shall be furnished to all members of the committee. A majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article III of these By-laws.

Article V - OFFICERS

SECTION 1. Officers. The Officers of the Corporation shall

be a Chief Executive Officer, a President, a Secretary, and a Treasurer. The Board of Directors may also, at its discretion, choose from among its members a Chairman of the Board and a Vice Chairman of the Board. The Corporation may also have, at the discretion of the Board of Directors, a Chief Operating Officer, a Chief Administrative Officer, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice

Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, a Controller or two officers who together perform the duties of a Controller, and one or more Assistant Controllers. One person may hold two or more offices.

SECTION 2. Election. The Officers of the Corporation

shall be elected by the Board of Directors and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

SECTION 3. Removal and Resignation. Any Officer may be

removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board of Directors, or, except in the case of an Officer chosen by the Board, by the Chief Executive Officer.

Any Officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect at the time of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4. Vacancies. A vacancy in any office because of

death, resignation, removal, disqualification or any other cause, shall be filled in the manner prescribed in the By-laws for regular appointments to such office.

SECTION 5. Chairman of the Board. The Chairman of the

Board, if any, shall preside at all meetings of the Board of Directors and of the Stockholders at which he shall be present and exercise and perform such powers and duties as generally pertain to his office as well as such powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the By-laws. If so designated by the Board of Directors, the Chairman of the Board shall be the Chief Executive Officer.

SECTION 6. Vice Chairman of the Board. In the absence of

the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the Stockholders at which he shall be present. The Vice Chairman of the Board shall exercise such powers and duties as generally pertain to his office as well as such powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the By-laws.

SECTION 7. Chief Executive Officer. Subject to such

supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board or the Vice Chairman of the Board, if there be such Officers, the Chief Executive Officer shall have such powers and duties as generally pertain to his office as well as general supervision, direction and control of the business and affairs of the Corporation.

SECTION 8. President. If the Chairman of the Board has

not been designated as the Chief Executive Officer, the President shall be the Chief Executive Officer with the powers and duties set forth in Section 7 of this Article V. If the Chairman of the Board has been so designated, the President shall have such powers and duties as generally pertain to his office as well as such powers and duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

In the absence of the Chairman of the Board and of the Vice Chairman of the Board, the President shall preside at all

meetings of the Board of Directors and of the Stockholders at which he shall be present.

SECTION 9. Chief Operating Officer. Subject to such

supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board or the Vice Chairman of the Board or the Chief Executive Officer, if there be such Officers, the Chief Operating Officer shall have such powers and perform such duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer, or the By-Laws.

SECTION 10. Executive Vice Presidents and Senior Vice

Presidents. The Executive Vice Presidents and Senior Vice

Presidents, if any, shall have such powers and perform such duties as generally pertain to their respective offices as well as such powers and duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 11. Vice Presidents. The Vice Presidents, if

any, shall have such powers and duties as generally pertain to their respective offices as well as such powers and duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 12. Secretary. The Secretary shall keep, or

cause to be kept, a book of minutes at the principal office of the Corporation or such other place as the Board of Directors may order, of all meetings of the Board of Directors and any committee thereof and of the Stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Board of Directors' and committee meetings, the number of shares present or represented at Stockholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office of the Corporation and at the office of the Corporation is transfer agent, if a transfer agent shall be appointed, a stock ledger, or a duplicate stock ledger, showing the names of the Stockholders and their addresses; the number and classes of shares held by each; the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the Stockholders and of the Board of Directors required by the By-laws or by law to be given, and he shall keep the seal of the Corporation in safe custody, and shall have such powers and duties as generally pertain to his office as well as such powers and duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 13. Treasurer. The Treasurer shall keep or

cause to be kept full and accurate records of all receipts and disbursements in the books of the Corporation and shall have the care and custody of all funds and securities of the Corporation.

The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer, the President and Directors, whenever they request it, an account of all of his transactions as Treasurer and shall have such powers and duties as generally pertain to his office as well as such powers and duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

SECTION 14. Controller. The Controller shall be the

principal accounting officer of the Corporation. He shall keep or cause to be kept all books of accounts and accounting records of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all times be open to inspection by any Director. He shall prepare or cause to be prepared appropriate financial statements for the Corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer or the By-laws.

Notwithstanding the foregoing paragraph of this Section 14, in the event that the Corporation shall not have a Controller and shall have two officers who together perform the duties of a Controller, then the duties of a Controller specified in the foregoing paragraph shall be allocated among such two officers by the Chief Executive Officer or the Chief Operating Officer of the Corporation. The officer to whom is allocated the responsibility of reporting financial information for external purposes shall be deemed to be the principal accounting officer of the Corporation for the purpose of signing documents to be filed with the Securities and Exchange Commission and for similar purposes. Such officers shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, or the By-laws.

SECTION 15. Chief Administrative Officer. Subject to

such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board or the Vice Chairman of the Board or the Chief Executive Officer, if there be such Officers, the Chief Administrative Officer shall have such powers and perform such duties as from time to time may be prescribed by the Board of Directors, the Chief Executive Officer, or the By-Laws.

Article VI - MISCELLANEOUS

SECTION 1. Record Dates. The Board of Directors may

fix in advance a date as a record date for the determination of the Stockholders entitled to notice of and to vote at any meeting of Stockholders, or entitled to receive payment of any dividend, or the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or the date for any other lawful action, and in such case such Stockholders, and only such Stockholders as shall be Stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to take such other action, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 2. Waiver of Notice of Meetings of Stockholders,

Directors and Committees. Whenever notice is required to be

given by law or under any provision of the Certificate of Incorporation or these By-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

SECTION 3. Certificates of Stock. A certificate for

shares of the capital stock of the Corporation shall be issued to

each Stockholder when any such shares are fully paid up. All such certificates shall be signed by or in the name of the Corporation by the Chief Executive Officer or the President or a Vice President and the Secretary or an Assistant Secretary. Any or all of the signatures on the certificates may be a facsimile. In case any Officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such Officer at the date of issue.

SECTION 4. Inspection of Stock Ledger. The Secretary

shall prepare and make, at least ten (10) days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be upon to the examination of any Stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Stockholder who is present.

SECTION 5. Indemnification. The Corporation shall

indemnify to the full extent authorized by law, whether by statute, court decision or otherwise, and to the extent permitted by the Certificate of Incorporation, any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a Director, Officer or employee of the Corporation or serves or served at the request of the Corporation any other enterprise as a director, officer or employee.

Subject to the Certificate of Incorporation, expenses incurred by a Director or Officer of the Corporation in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Director or Officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation. Such expenses incurred by other employees may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

For purposes of this Section 5, the term "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Corporation" shall include service as a Director, Officer or employee of the Corporation which imposes duties on, or involves service by, such Director, Officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to any employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

Article VII - AMENDMENTS

SECTION 1. Adoption, Amendment or Repeal of By-laws.

By-laws may be made, adopted, altered or repealed by the vote of Stockholders entitled to exercise a majority of the voting power

of the Corporation. Subject to the right of Stockholders to make, adopt, amend or repeal By-laws, By-laws may be made, adopted, altered or repealed, at any time, by the Board of Directors.

ELEVENTH AMENDMENT TO CREDIT AGREEMENT

AND LIMITED WAIVERS

THIS ELEVENTH AMENDMENT TO CREDIT AGREEMENT AND LIMITED WAIVERS (this "Amendment"), dated as of October 20, 1997 is by

and between KAISER ALUMINUM & CHEMICAL CORPORATION, a Delaware corporation (the "Company"), KAISER ALUMINUM CORPORATION, a

Delaware corporation (the "Parent Guarantor"), the various

financial institutions that are or may from time to time become parties to the Credit Agreement referred to below (collectively, the "Lenders" and, individually, a "Lender"), and BANKAMERICA

BUSINESS CREDIT, INC., a Delaware corporation, as agent (in such capacity, together with its successors and assigns in such capacity, the "Agent") for the Lenders. Capitalized terms used,

but not defined, herein shall have the meanings given to such terms in the Credit Agreement, as amended hereby.

W I T N E S S E T H:

WHEREAS, the Company, the Parent Guarantor, the Lenders and the Agent are parties to the Credit Agreement, dated as of February 15, 1994, as amended by the First Amendment to Credit Agreement, dated as of July 21, 1994, the Second Amendment to Credit Agreement, dated as of March 10, 1995, the Third Amendment to Credit Agreement and Acknowledgement, dated as of July 20, 1995, the Fourth Amendment to Credit Agreement, dated as of October 17, 1995, the Fifth Amendment to Credit Agreement dated as of December 11, 1995, the Sixth Amendment to Credit Agreement dated as of October 1, 1996, the Seventh Amendment to Credit Agreement, dated as of December 17, 1996, the Eighth Amendment to Credit Agreement, dated as of February 24, 1997, the Ninth Amendment to Credit Agreement and Acknowledgment, dated as of April 21, 1997, and the Tenth Amendment to Credit Agreement, dated as of June 25, 1997 (the "Credit Agreement"); and

WHEREAS, the parties hereto have agreed to amend the Credit Agreement as herein provided;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Amendments to Credit Agreement.

1.1 Amendments to Article I: Definitions.

A. Section 1.1 of the Credit Agreement is hereby

amended by adding the following definitions in the appropriate alphabetical order:

"'New Subordinated Debt' means Indebtedness of the

Company or any of its Subsidiaries under the New Subordinated Notes, the New Subordinated Indentures, or any guaranty of such Indebtedness."

"'New Subordinated Debt Instruments' means the New

Subordinated Notes, the New Subordinated Indentures,

and all other Instruments and agreements executed and delivered by the Company or any of its Subsidiaries in connection therewith."

"'New Subordinated Indentures' means one or more

indentures between the Company, and AJI, KJC, KFC, KAAC, KMH, KSM, Texas Holdings, Texas Sierra and Kaiser Bellwood, as Subsidiary Guarantors, and the trustee named therein, pursuant to which the New Subordinated Notes will be issued, as amended, supplemented, restated, or otherwise modified from time to time in accordance with the terms of any such indenture and this Agreement."

"'New Subordinated Notes' means the promissory notes in

a principal amount not exceeding \$450,000,000 issued by the Company in one or more tranches pursuant to the New Subordinated Indentures, as amended, supplemented, restated, or otherwise modified from time to time in accordance with the terms of the New Subordinated Indentures and this Agreement and all other promissory notes accepted from time to time in substitution therefor or renewal thereof in accordance with the terms of the New Subordinated Indentures and this Agreement."

1.2 Amendments to Article VIII: Representations and

Warranties.

A. Effective as of the first date on which any New Subordinated Debt shall be issued, Section 8.16 of the Credit

Agreement is hereby amended by (i) adding the phrase "and the New Subordinated Indentures" after the phrase "Subordinated Indenture" each time it appears in clause (a) thereof and (ii) adding the phrase "or New Subordinated Debt, as the case may be," after the phrase "Subordinated Debt" in clause (a) thereof.

1.3 Amendments to Article IX: Covenants.

A. Section 9.1.1 of the Credit Agreement is hereby

amended by (i) adding the phrase "or any New Subordinated Debt Instrument" after the phrase "Subordinated Debt Instrument" contained in clause (d)(ii)(A) thereof, and (ii) adding the phrase "any New Subordinated Debt Instrument," after the phrase "Subordinated Debt Instrument," each time it appears in clause (h) thereof.

B. Section 9.1.10 of the Credit Agreement is hereby

amended by (i) adding the phrase "the New Subordinated Indentures," after the phrase "Subordinated Indenture," the first time it appears in clause (b)(ii) thereof, (ii) adding the phrase "any similar provision of the New Subordinated Indentures," after the phrase "Section 5.12(c) of the Subordinated Indenture," in

clause (b)(ii) thereof, (iii) adding the phrase "the New Subordinated Indentures," after the phrase "Subordinated Indenture," the first time it appears in clause (c)(i) thereof, and (iv) adding the phrase "any similar provision of the New Subordinated Indentures," after the phrase "Section 5.12(c) of

the Subordinated Indenture," in clause (c)(i) thereof.

C. Section 9.2.2 of the Credit Agreement is hereby

amended by amending clause (a)(iii) to read in its entirety as follows:

"(iii) Indebtedness existing as of the Effective Date which is identified in Item 4 ("Ongoing Indebtedness") of the Disclosure Schedule; provided, however, that if the Company shall redeem or retire any Subordinated Debt, then the aggregate principal amount of Ongoing Indebtedness permitted by this clause shall be reduced by an amount equal to the amount of such Subordinated Debt redeemed or retired."

D. Section 9.2.2 of the Credit Agreement is hereby further amended by amending clause (b)(i) to read in its entirety as follows:

"(i) Indebtedness of the Company in respect of (A) the Senior Debt, (B) the New Senior Debt, provided that (1) the

aggregate principal amount thereof does not exceed \$200,000,000, (2) such Indebtedness is unsecured, (3) such Indebtedness is issued on or prior to February 1, 1997, (4) such Indebtedness does not mature prior to February 15, 2002 and (5) the New Senior Indenture is substantially in the form of the Senior Indenture, (C) the Additional New Senior Debt, provided that (1) the

aggregate principal amount thereof does not exceed \$50,000,000, (2) such Indebtedness is unsecured, (3) such Indebtedness is issued on or prior to March 1, 1997, (4) such Indebtedness does not mature prior to February 15, 2002 and (5) the Additional New Senior Indentures are substantially in the form of the New Senior Indenture, and (D) the New Subordinated Debt, provided that (1)

the aggregate principal amount thereof does not exceed \$450,000,000, (2) such Indebtedness is unsecured, (3) such Indebtedness does not mature prior to 2004, (4) the proceeds received by the Company from the offering of the New Subordinated Debt, net of the reasonable costs and expenses (including, without limitation, reasonable legal fees and expenses) associated with the incurrence of the New Subordinated Debt, shall be applied to redeem, retire, repurchase or defease the Subordinated Notes, in whole or in part, including (without limitation) the payment of premium (whether required or voluntary), if any, with respect thereto, the payment of accrued interest thereon, and the payment of the reasonable costs and expenses (including, without limitation, reasonable legal fees and expenses) associated with such redemption, retirement, repurchase or defeasance, and (5) the subordination provisions of the New Subordinated Indentures are substantially in the form of the subordination provisions of the Subordinated Indenture with such changes therein as may be approved by the Agent in its sole discretion; and Contingent Obligations of AJI, KJC, KFC, KAAC, KMH, KSM, Texas Holdings, Texas Sierra and Kaiser Bellwood, as a 'Subsidiary Guarantor' (under and as defined in the Senior Indenture, the New Senior Indenture, the Additional New Senior Indentures, the Subordinated Indenture and the New Subordinated Indentures) in respect of the Senior Debt, the New Senior Debt, the Additional New Senior Debt, the Subordinated Debt and the New Subordinated Debt, respectively;"

E. Section 9.2.6 of the Credit Agreement is hereby amended by (i) adding the phrase "any New Subordinated Debt," after the phrase "Subordinated Debt," in clause (b)(iv) thereof, and (ii) amending clause (b)(i) to read in its entirety as follows:

"(i) make any payment or prepayment of principal of, or any prepayment of interest on, any Subordinated Debt or any New Subordinated Debt or make any payment of interest on, or any payment in respect of, any Subordinated Debt or any New Subordinated Debt which would violate the subordination provisions of such Subordinated Debt or New Subordinated Debt, respectively;"

F. Section 9.2.11 of the Credit Agreement is hereby

amended by adding the phrase "any similar provisions of the New
Subordinated Indentures," after the phrase "Section 5.12 of the

Subordinated Indenture," in the paragraph following clause (m)
thereof.

G. Section 9.2.13 of the Credit Agreement is hereby

amended by (i) adding the phrase "any New Subordinated Debt,"
after the phrase "Subordinated Debt," contained in clause (a)
thereof, (ii) adding the phrase "or the New Subordinated
Indentures" after the phrase "Subordinated Indenture" each time
it appears in clause (b) thereof, (iii) adding the phrase "New
Subordinated Debt," after the phrase "Subordinated Debt," each
time it appears in clause (c) thereof, (iv) adding the phrase
"New Subordinated Debt," after the phrase "Subordinated Debt,"
contained in clause (d) thereof, and (v) adding the phrase "to
deliver any certificate and opinion permitted to be given to the
trustee under any similar provisions of the New Subordinated
Indentures with respect to any `Subsidiary Guarantor' (under and
as defined in the New Subordinated Indentures)," after the phrase
"(under and as defined in the Subordinated Indenture)," in clause
(e) thereof.

H. Section 9.2.15 of the Credit Agreement is hereby

amended by adding the phrase ", the New Subordinated Indentures"
after the phrase "the Additional New Senior Indentures" contained
therein.

I. Section 9.2.19 of the Credit Agreement is hereby

amended by adding the phrase ", the New Subordinated Debt
Instruments" after the phrase "the Additional New Senior Debt
Instruments" contained therein.

1.4 Amendments to Article X: Events of Default.

A. Section 10.1.11 of the Credit Agreement is hereby

amended by (i) adding the phrase "any New Subordinated Debt
Instrument," after the phrase "Subordinated Debt Instrument,"
contained therein and (ii) adding the phrase "any New
Subordinated Debt," after the phrase "Subordinated Debt,"
contained therein.

Section 2. Limited Waivers.

1. In reliance on the representations and warranties of the
Company herein contained, Lenders hereby waive compliance with
the provisions of Section 9.2.14 of the Credit Agreement to the

extent necessary to permit the payment by the Company to MAXXAM
of \$11,438,000 plus interest from June 30, 1997, under the Tax
Allocation Agreement.

A. In reliance on the representations and warranties
of the Company herein contained, (i) Lenders hereby waive
compliance with the provisions of Section 9.2.6(b)(i), Section

9.2.6(b)(iv), Section 9.2.13(d), and Section 10.1.11 of the

Credit Agreement to the extent necessary to permit the
redemption, retirement, repurchase or defeasance by the Company
of the Subordinated Debt, in whole or in part, from time to time
and (ii) Lenders hereby waive compliance with the provisions of
Section 9.2.13(a) of the Credit Agreement to the extent necessary

to permit any amendment, supplement or other modification to the
Subordinated Indenture approved by the Agent in its sole
discretion in connection with the redemption, retirement,

repurchase or defeasance by the Company of the Subordinated Debt, in whole or in part, from time to time; provided, however, that

the sum of (a) the aggregate principal amount of any Subordinated Debt redeemed, retired, repurchased or defeased by the Company pursuant to this waiver, plus (b) premium (whether required or voluntary), if any, in respect of such redeemed, retired, repurchased or defeased Subordinated Debt, shall not exceed an amount equal to the sum of (1) the proceeds received by the Company from the issuance of the New Subordinated Debt, net of the reasonable costs and expenses (including, without limitation, reasonable legal fees and expenses) associated with the incurrence of the New Subordinated Debt, plus (2) the proceeds of an offering or offerings by the Parent Guarantor of securities of the Parent Guarantor consummated after the Eleventh Amendment Effective Date and prior to December 31, 1998, net of the reasonable costs and expenses (including, without limitation, reasonable legal fees and expenses) associated therewith, loaned to, contributed to, or used to purchase the stock of, the Company.

Section 3. Conditions to Effectiveness.

This Amendment shall become effective as of the date hereof only when the following conditions shall have been satisfied and notice thereof shall have been given by the Agent to the Parent Guarantor, the Company and each Lender (the date of satisfaction of such conditions and the giving of such notice being referred to herein as the "Eleventh Amendment Effective

Date"):

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A. The Agent shall have received for each Lender counterparts hereof duly executed on behalf of the Parent Guarantor, the Company, the Agent and the Required Lenders (or notice of the approval of this Amendment by the Required Lenders satisfactory to the Agent shall have been received by the Agent).

B. The Agent shall have received:

(1) Resolutions of the Board of Directors or of the Executive Committee of the Board of Directors of the Company and the Parent Guarantor approving and authorizing the execution, delivery and performance of this Amendment, certified by their respective corporate secretaries or assistant secretaries as being in full force and effect without modification or amendment as of the date of execution hereof by the Company or the Parent Guarantor, as the case may be;

(2) A signature and incumbency certificate of the officers of the Company and the Parent Guarantor executing this Amendment;

(3) For each Lender an opinion, addressed to the Agent and each Lender, from Kramer, Levin, Naftalis & Frankel, in form and substance satisfactory to the Agent; and

(4) Such other information, approvals, opinions, documents, or instruments as the Agent may reasonably request.

Section 4. Company's Representations and Warranties.

In order to induce the Lenders and the Agent to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, the Parent Guarantor and the Company represent and warrant to each Lender and the Agent that, as of the Eleventh Amendment Effective Date after giving effect to the effectiveness of this Amendment, the following statements are true and correct in all material respects:

A. Authorization of Agreements. The execution and

delivery of this Amendment by the Company and the Parent Guarantor and the performance of the Credit Agreement as amended by this Amendment (the "Amended Agreement") by the Company and

the Parent Guarantor are within such Obligor's corporate powers and have been duly authorized by all necessary corporate action on the part of the Company and the Parent Guarantor, as the case may be.

B. No Conflict. The execution and delivery by the

Company and the Parent Guarantor of this Amendment and the performance by the Company and the Parent Guarantor of the Amended Agreement do not:

(1) contravene such Obligor's Organic Documents;

(2) contravene the Senior Indenture, the New Senior Indenture, the Additional New Senior Indentures, or the Subordinated Indenture or contravene any other contractual restriction where such a contravention has a reasonable possibility of having a Materially Adverse Effect or contravene any law or governmental regulation or court decree or order binding on or affecting such Obligor or any of its Subsidiaries; or

(3) result in, or require the creation or imposition of, any Lien on any of such Obligor's properties or any of the properties of any Subsidiary of such Obligor, other than pursuant to the Loan Documents.

C. Binding Obligation. This Amendment has been duly

executed and delivered by the Company and the Parent Guarantor and this Amendment and the Amended Agreement constitute the legal, valid and binding obligations of the Company and the Parent Guarantor, enforceable against the Company and the Parent Guarantor in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally and by general principles of equity.

D. Governmental Approval, Regulation, etc. No

authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other Person is required for the due execution, delivery or performance of this Amendment by the Company or the Parent Guarantor.

E. Incorporation of Representations and Warranties

from Credit Agreement. Each of the statements set forth in

Section 7.2.1 of the Credit Agreement is true and correct.

Section 5. Acknowledgement and Consent.

The Company is a party to the Company Collateral Documents, in each case as amended through the date hereof, pursuant to which the Company has created Liens in favor of the Agent on certain Collateral to secure the Obligations. The Parent Guarantor is a party to the Parent Collateral Documents, in each case as amended through the date hereof, pursuant to which the Parent Guarantor has created Liens in favor of the Agent on certain Collateral and pledged certain Collateral to the Agent to secure the Obligations of the Parent Guarantor. Certain Subsidiaries of the Company are parties to the Subsidiary Guaranty and/or one or more of the Subsidiary Collateral Documents, in each case as amended through the date hereof, pursuant to which such Subsidiaries have (i) guaranteed the Obligations and/or (ii) created Liens in favor of the Agent on certain Collateral. The Company, the Parent Guarantor and such Subsidiaries are collectively referred to herein as the "Credit

Support Parties", and the Company Collateral Documents, the

Parent Collateral Documents, the Subsidiary Guaranty and the
Subsidiary Collateral Documents are collectively referred to
herein as the "Credit Support Documents".

Each Credit Support Party hereby acknowledges that it
has reviewed the terms and provisions of the Credit Agreement as
amended by this Amendment and consents to the amendment of the
Credit Agreement effected as of the date hereof pursuant to this
Amendment.

Each Credit Support Party acknowledges and agrees that
any of the Credit Support Documents to which it is a party or
otherwise bound shall continue in full force and effect. Each
Credit Support Party hereby confirms that each Credit Support
Document to which it is a party or otherwise bound and all
Collateral encumbered thereby will continue to guaranty or
secure, as the case may be, the payment and performance of all
obligations guaranteed or secured thereby, as the case may be.

Each Credit Support Party (other than the Company and
the Parent Guarantor) acknowledges and agrees that (i)
notwithstanding the conditions to effectiveness set forth in this
Amendment, such Credit Support Party is not required by the terms
of the Credit Agreement or any other Loan Document to consent to
the amendments to the Credit Agreement effected pursuant to this
Amendment and (ii) nothing in the Credit Agreement, this
Amendment or any other Loan Document shall be deemed to require
the consent of such Credit Support Party to any future amendments
to the Credit Agreement.

Section 6. Miscellaneous.

A. Reference to and Effect on the Credit Agreement and the

Other Loan Documents.

(1) On and after the Eleventh Amendment Effective
Date, each reference in the Credit Agreement to "this Agreement",
"hereunder", "hereof", "herein" or words of like import referring
to the Credit Agreement, and each reference in the other Loan
Documents to the "Credit Agreement", "thereunder", "thereof" or
words of like import referring to the Credit Agreement shall mean
and be a reference to the Amended Agreement.

(2) Except as specifically amended by this
Amendment, the Credit Agreement and the other Loan Documents
shall remain in full force and effect and are hereby ratified and
confirmed.

B. Applicable Law. THIS AMENDMENT SHALL BE DEEMED TO

BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE
STATE OF NEW YORK, WITHOUT GIVING EFFECT TO SUCH LAWS RELATING TO
CONFLICTS OF LAWS.

C. Headings. The various headings of this Amendment

are inserted for convenience only and shall not affect the
meaning or interpretation of this Amendment or any provision
hereof.

D. Counterparts. This Amendment may be executed by

the parties hereto in several counterparts and by the different
parties on separate counterparts, each of which shall be deemed
to be an original and all of which shall constitute together but
one and the same instrument; signature pages may be detached from
multiple separate counterparts and attached to a single
counterpart so that all signature pages are physically attached

to the same document.

E. Severability. Any provision of this Amendment

which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or affecting the validity or enforceability of such provisions in any other jurisdiction.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the day and year first above written.

KAISER ALUMINUM CORPORATION

KAISER ALUMINUM & CHEMICAL CORPORATION

By: /s/ Karen A. Twitchell

By: /s/ Karen A. Twitchell

Name Printed: Karen A. Twitchell

Name Printed: Karen A. Twitchell

Its: Treasurer

Its: Treasurer

BANKAMERICA BUSINESS CREDIT, INC., as Agent

BANKAMERICA BUSINESS CREDIT, INC.

By: /s/ Michael Jasaitis

By: /s/ Michael Jasaitis

Name: Michael J. Jasaitis

Name: Michael J. Jasaitis

Its: Vice President

Its: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ James Johnson

By: /s/ Timothy S. Culver

Name Printed: James P. Johnson

Name Printed: Timothy S. Culver

Its: Managing Director

Its: Assistant Vice President

CONGRESS FINANCIAL CORPORATION (WESTERN)

HELLER FINANCIAL, INC.

By: /s/ Kristine Metchikian

By: /s/ Tara Hopkins

Name Printed: Kristine Metchikian

Name Printed: Tara Hopkins

Its: Vice President

Its: Assistant Vice President

LA SALLE NATIONAL BANK

TRANSAMERICA BUSINESS CREDIT CORPORATION

By: /s/ Douglas C. Colleth

By: /s/ Thomas Fernandes

Name Printed: Douglas C. Colleth

Name Printed: Thomas Fernandes

Its: First Vice President

Its: Senior Account Executive

ABN AMRO BANK N.V.

San Francisco International Branch

by: ABN AMRO North America, Inc., as agent

By: /s/ Bradford H. Leahy

Name Printed: Bradford H. Leahy

Its: Assistant Vice President

By: /s/ L. Osborne

Name Printed: L. T. Osborne

Its: Group Vice President

ACKNOWLEDGED AND AGREED TO:

AKRON HOLDING CORPORATION

KAISER ALUMINUM & CHEMICAL INVESTMENT, INC.

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

KAISER ALUMINUM PROPERTIES, KAISER ALUMINUM TECHNICAL
INC. SERVICES, INC.

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

OXNARD FORGE DIE COMPANY, INC. KAISER ALUMINIUM
INTERNATIONAL, INC.

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

KAISER ALUMINA AUSTRALIA KAISER FINANCE CORPORATION
CORPORATION

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

ALPART JAMAICA INC. KAISER JAMAICA CORPORATION

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

KAISER BAUXITE COMPANY KAISER EXPORT COMPANY

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

KAISER MICROMILL HOLDINGS, LLC KAISER SIERRA MICROMILLS, LLC

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

KAISER TEXAS SIERRA MICROMILLS, KAISER TEXAS MICROMILL
LLC HOLDINGS, LLC

By: /s/ Karen A. Twitchell By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell Name Printed: Karen A. Twitchell
Its: Treasurer Its: Treasurer

KAISER BELLWOOD CORPORATION

By: /s/ Karen A. Twitchell
Name Printed: Karen A. Twitchell
Its: Treasurer