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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, 1995

Commission file number 1-9447

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

Delaware 94-3030279  
(State of incorporation) (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   
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At October 31, 1995, the registrant had 71,637,654 shares of common stock outstanding.

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KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS  
(In millions of dollars)

	September 30, 1995	December 31, 1994
	----- (Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11.2	\$ 17.6
Receivables	277.8	199.2
Inventories	530.6	468.0
Prepaid expenses and other current assets	73.9	158.0
	-----	
Total current assets	893.5	842.8
Investments in and advances to unconsolidated affiliates	187.2	169.7
Property, plant, and equipment - net	1,099.3	1,133.2
Deferred income taxes	282.8	271.2
Other assets	324.7	281.2
	-----	
Total	\$2,787.5	\$2,698.1
	=====	
Liabilities & Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 147.0	\$ 152.1
Accrued interest	14.4	32.6
Accrued salaries, wages, and related expenses	62.2	77.7
Accrued postretirement medical benefit obligation - current portion	47.0	47.0
Other accrued liabilities	141.6	176.9
Payable to affiliates	91.0	85.3
Long-term debt - current portion	12.1	11.5
	-----	
Total current liabilities	515.3	583.1
Long-term liabilities	573.3	495.5
Accrued postretirement medical benefit obligation	739.1	734.9
Long-term debt	798.5	751.1
Minority interests	118.1	116.2
Stockholders' equity:		
Preferred stock	.4	.6
Common stock	.7	.6
Additional capital	530.0	527.8
Accumulated deficit	(478.8)	(502.6)
Additional minimum pension liability	(9.1)	(9.1)
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Total stockholders' equity	43.2	17.3
	-----	
Total	\$2,787.5	\$2,698.1
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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 per share amounts)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
Net sales	\$550.3	\$461.1	\$1,646.7	\$1,335.7
Costs and expenses:				
Cost of products sold	439.3	416.0	1,329.8	1,222.8
Depreciation	23.7	22.8	71.1	72.8
Selling, administrative, research and development, and general	34.1	29.2	96.4	86.8
Total costs and expenses	497.1	468.0	1,497.3	1,382.4
Operating income (loss)	53.2	(6.9)	149.4	(46.7)
Other income (expense):				
Interest and other income (expense) - net	(7.7)	(.7)	(9.8)	2.5
Interest expense	(23.9)	(22.3)	(71.3)	(65.9)
Income (loss) before income taxes, minority interests, and extraordinary loss	21.6	(29.9)	68.3	(110.1)
(Provision) credit for income taxes	(7.8)	10.5	(24.6)	38.6
Minority interests	(1.3)	(1.4)	(4.4)	(2.2)
Income (loss) before extraordinary loss	12.5	(20.8)	39.3	(73.7)
Extraordinary loss on early extinguishment of debt, net of tax benefit of \$2.9				(5.4)
Net income (loss)	12.5	(20.8)	39.3	(79.1)
Dividends on preferred stock	(4.9)	(5.3)	(15.5)	(14.8)
Net income (loss) available to common shareholders	\$ 7.6	\$(26.1)	\$ 23.8	\$ (93.9)
Earnings (loss) per common and common equivalent share:				
Primary:				
Income (loss) before extraordinary loss	\$ .13	\$ (.45)	\$ .40	\$ (1.53)
Extraordinary loss				(.09)
Net income (loss)	\$ .13	\$ (.45)	\$ .40	\$ (1.62)
Fully diluted	\$ .14		\$ .46	
Weighted average common and common equivalent shares outstanding (000):				
Primary	60,225	58,161	59,015	58,118
Fully diluted	71,782		71,613	

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,  
-----  
1995            1994  
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Cash flows from operating activities:		
Net income (loss)	\$ 39.3	\$(79.1)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	71.1	72.8
Non-cash postretirement medical benefit expenses	4.2	10.4
Amortization of excess investment over equity in net assets of unconsolidated affiliates	8.7	8.7
Amortization of deferred financing costs and discount on long-term debt	4.1	4.8
Equity in (income) losses of unconsolidated affiliates	(17.2)	3.2
Minority interests	4.4	2.2
Extraordinary loss on early extinguishment of debt - net		5.4
(Increase) decrease in receivables	(86.6)	13.4
(Increase) decrease in inventories	(62.6)	13.7
Decrease (increase) in prepaid expenses and other current assets	68.5	(13.2)
Incurrence of financing costs	(.8)	(19.1)
Decrease in accounts payable	(5.2)	(.3)
Decrease in accrued interest	(18.0)	(9.8)
Increase in payable to affiliates and accrued liabilities	8.1	5.3
Decrease in accrued and deferred income taxes	(8.5)	(46.2)
Other	9.8	(3.2)
	-----	-----
Net cash provided by (used for) operating activities	19.3	(31.0)
	-----	-----
Cash flows from investing activities:		
Net proceeds from disposition of property and investments	6.9	4.2
Capital expenditures	(53.2)	(37.5)
Redemption fund for minority interest preference stock	(.2)	(1.2)
	-----	-----
Net cash used for investing activities	(46.5)	(34.5)
	-----	-----
Cash flows from financing activities:		
Repayments of long-term debt, including revolving credit	(431.4)	(326.2)
Borrowings of long-term debt, including revolving credit	481.9	353.5
Repayment of note payable	(3.4)	
Net short-term debt repayments		(.5)
Dividends paid	(18.7)	(14.8)
Capital stock issued	1.2	100.4
Redemption of minority interests' preference stock	(8.8)	(8.5)
	-----	-----
Net cash provided by financing activities	20.8	103.9
	-----	-----
Net (decrease) increase in cash and cash equivalents during the period	(6.4)	38.4
Cash and cash equivalents at beginning of period	17.6	14.7
	-----	-----
Cash and cash equivalents at end of period	\$ 11.2	\$ 53.1
	=====	=====
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest	\$ 85.2	\$ 70.9
Income taxes paid	26.6	9.7
Tax allocation payments from MAXXAM Inc.		(3.6)

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

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

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

1. General

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Kaiser Aluminum Corporation (the "Company") is a subsidiary of MAXXAM Inc. ("MAXXAM"). MAXXAM owns approximately 62% of the Company's common stock, assuming the conversion of each outstanding share of 8.255% PRIDES, Convertible Preferred Stock (the "PRIDES"), into one share of the Company's common stock, with the remaining approximately 38% publicly held. The Company operates through its direct subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC").

On September 19, 1995, the Company redeemed all 1,938,295 of its Mandatory Conversion Premium Dividend Preferred Stock (the "Series A Shares"), which resulted in the simultaneous redemption of all \$.65 Depository Shares in exchange for (i) 13,126,521 shares of the Company's common stock and (ii) \$2.8 in cash comprised of (a) an amount equal to all accrued and unpaid dividends up to and including the day immediately prior to redemption date and (b) cash in lieu of any fractional shares of common stock that would have otherwise been issuable.

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 information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary for a fair statement of the results for the interim periods presented have been included. Operating results for the first nine months of 1995 are not necessarily indicative of the results that may be expected for the year ending December 31, 1995. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 1994. Certain reclassifications of prior-period information were made to conform to the current presentation.

2. Inventories

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The classification of inventories is as follows:

	September 30, 1995	December 31, 1994
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Finished fabricated aluminum products	\$ 70.1	\$ 49.4
Primary aluminum and work in process	207.3	203.1
Bauxite and alumina	134.1	102.3
Operating supplies and repair and maintenance parts	119.1	113.2
	-----	
Total	\$530.6	\$468.0
	=====	

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. Earnings (Loss) per Common and Common Equivalent Share

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Primary earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common and common equivalent shares outstanding during the period. Fully diluted earnings per common and common equivalent share is computed as if the Series A Shares had

been converted to common shares at the beginning of each period. Accordingly, for purposes of the fully diluted calculations, the dividends attributable to the Series A Shares (\$2.8 and \$9.1 for the quarter and nine months ended September 30, 1995, respectively) have not been deducted from net income, and the weighted average number of common and common equivalent shares outstanding includes the shares issued upon conversion of the Series A Shares as if they had been outstanding for the entire periods. As a result of the conversion of the Series A Shares during the 1995 periods, fully diluted earnings per share are presented even though the results are antidilutive. For the quarter and nine months ended September 30, 1994, common equivalent shares attributable to the preferred stock and nonqualified stock options were excluded from the calculation of weighted average shares because they were antidilutive.

4. Contingencies  
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Environmental Contingencies - The Company and KACC are subject to a wide variety of environmental laws and regulations and to fines or penalties assessed for alleged breaches of the environmental laws and to claims and litigation based on 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, 1995, the balance of such accruals, which is primarily included in Long-term liabilities, was \$39.7. 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 action 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 \$12.0 for the years 1995 through 1999 and an aggregate of approximately \$11.0 thereafter.

As additional facts are developed and definitive remediation plans and necessary regulatory approvals for implementation of remediation 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 approximately \$22.0. 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 or results of operations.

Asbestos Contingencies - KACC is a defendant in a number of lawsuits 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 15 years. At October 31, 1995, the number of such lawsuits pending was approximately 58,200, as compared to 31,700 at June 30, 1995. KACC has been advised by its regional counsel that, although there can be no assurance, the recent increase in pending lawsuits may be attributable in part to tort reform legislation in Texas which was passed by the legislature in March 1995 and which became effective on September 1, 1995. The legislation, among other things, is designed to restrict, beginning September 1, 1995, the filing of cases in Texas that do not have a sufficient nexus to that jurisdiction, and to impose, generally as of September 1, 1996, limitations relating to joint and several liability in tort cases. A



substantial portion of the asbestos-related lawsuits that were filed and served on KACC between June 30, 1995, and October 31, 1995, were filed in Texas prior to September 1, 1995.

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 and settled through 2008. 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, the current state of case law related to asbestos claims, and the advice of counsel. Accordingly, an asbestos-related cost accrual of \$155.3 (\$134.6 at June 30, 1995), before considerations for insurance recoveries, is included primarily in Long-term liabilities at September 30, 1995. The Company estimates that annual future cash payments in connection with such litigation will be approximately \$11.0 to \$19.0 for each of the years 1995 through 1999, and an aggregate of approximately \$90.8 thereafter through 2008. 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.

The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs. While claims for recovery from some of KACC's insurance carriers are currently subject to pending litigation and other carriers have raised certain defenses, the Company believes, based on prior insurance-related recoveries in respect of asbestos-related claims, existing insurance policies, and the advice of counsel, that substantial recoveries from the insurance carriers are probable. Accordingly, an estimated aggregate insurance recovery of \$134.7 (\$120.6 at June 30, 1995), determined on the same basis as the asbestos-related cost accrual, is recorded primarily in Other assets at September 30, 1995.

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 the insurance recoveries that will be received, management currently believes that, based on the factors discussed in the preceding paragraphs, the resolution of the 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 or results of operations.

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 or results of operations.

5. Derivative Financial Instruments and Related Hedging Programs

KACC enters into primary metal hedging transactions with off-balance sheet risk in the normal course of business. The prices realized by the Company under certain sales contracts for alumina, primary aluminum, and fabricated aluminum products as well as the costs incurred by the Company on certain items, such as aluminum scrap, rolling ingot, power, and bauxite, fluctuate with the market price of primary aluminum, together resulting in a "net exposure" of earnings. The primary metal hedging transactions are designed to mitigate the net exposure of earnings to declines in the market price of primary aluminum, while retaining the ability to participate in favorable environments that may materialize. KACC has developed strategies which include forward sales of primary aluminum at fixed prices and the purchase or sale of options for primary aluminum. In this regard, in respect of its remaining 1995 anticipated net exposure, at September 30, 1995, KACC had net forward sales contracts for 53,875 tons\* of primary aluminum at fixed prices, had purchased call options in respect of 17,250 tons of primary

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





aluminum, had purchased put options to establish a minimum price for 48,375 tons of primary aluminum, and had entered into option contracts that established a price range for 22,500 tons of primary aluminum. In respect of its 1996 anticipated net exposure, at September 30, 1995, KACC had sold forward 11,100 tons of primary aluminum at fixed prices.

KACC also enters into hedging transactions in the normal course of business that are designed to reduce its exposure to fluctuations in foreign exchange rates. At September 30, 1995, KACC had net forward foreign exchange contracts totaling approximately \$125.9 for the purchase of 174.0 Australian dollars through April 1997.

At September 30, 1995, the net unrealized gain on KACC's position in aluminum forward sales and option contracts (based on a market price of \$1,773 per ton of primary aluminum) and forward foreign exchange contracts was \$9.1.

KACC has established margin accounts with its counterparties related to forward aluminum sales and option contracts. KACC is entitled to receive advances from counterparties related to unrealized gains and, in turn, is required to make margin deposits with counterparties to cover unrealized losses related to these contracts. At September 30, 1995, KACC had \$2.5 compared with \$50.5 at December 31, 1994, on deposit with a counterparty in respect of such contracts. These amounts are recorded in Prepaid expenses and other current assets.

See Note 10 of the Notes to Consolidated Financial Statements for the year ended December 31, 1994.

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

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AND RESULTS OF OPERATIONS  
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(In millions of dollars, except shipments, prices, and per share amounts)

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

Results of Operations  
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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. See Note 5 of Notes to Interim Consolidated Financial Statements for an explanation of KACC's hedging strategies. The table on the following page provides selected operational and financial information on a consolidated basis with respect to the Company for the quarter and nine months ended September 30, 1995 and 1994. 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.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

SELECTED OPERATIONAL AND FINANCIAL INFORMATION

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
Shipments:(1)				
Alumina	471.5	534.9	1,494.6	1,577.3
Aluminum products:				
Primary aluminum	73.0	48.4	184.5	175.8
Fabricated aluminum products	90.4	105.4	284.3	307.1
Total aluminum products	163.4	153.8	468.8	482.9
Average realized sales price:				
Alumina (per ton)	\$ 206	\$ 171	\$ 203	\$ 162
Primary aluminum (per pound)	.83	.60	.82	.56
Net sales:				
Bauxite and alumina:				
Alumina	\$ 97.2	\$ 91.5	\$ 303.8	\$ 255.3
Other(2)(3)	22.3	19.8	65.3	60.6
Total bauxite and alumina	119.5	111.3	369.1	315.9
Aluminum processing:				
Primary aluminum	133.4	64.1	335.0	218.2
Fabricated aluminum products	293.0	281.9	929.0	790.8
Other(3)	4.4	3.8	13.6	10.8
Total aluminum processing	430.8	349.8	1,277.6	1,019.8
Total net sales	\$550.3	\$461.1	\$1,646.7	\$1,335.7
Operating income (loss):				
Bauxite and alumina	\$ 14.8	\$ 7.8	\$ 36.4	\$ 5.3
Aluminum processing	58.9	3.3	170.9	1.4
Corporate	(20.5)	(18.0)	(57.9)	(53.4)
Total operating income (loss)	\$ 53.2	\$ (6.9)	\$ 149.4	\$ (46.7)
Income (loss) before extraordinary loss	\$ 12.5	\$(20.8)	\$ 39.3	\$ (73.7)
Extraordinary loss on early extinguishment of debt, net of tax benefit of \$2.9				(5.4)
Net income (loss)	\$ 12.5	\$(20.8)	\$ 39.3	\$ (79.1)
Capital expenditures	\$ 26.1	\$ 15.8	\$ 53.2	\$ 37.5

[FN]

- (1) In thousands of tons.  
(2) Includes net sales of bauxite.  
(3) Includes the portion of net sales attributable to minority interests in consolidated subsidiaries.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Net Sales

Bauxite and Alumina - Revenue from net sales to third parties for the bauxite and alumina segment was 7% higher in the third quarter of 1995 than in the third quarter of 1994, and was 17% higher in the first nine months of 1995 than in the first nine months of 1994. Revenue from alumina increased 6% in the third quarter of 1995 from the third quarter of 1994, and increased 19% in the first nine months of 1995 from the first nine months of 1994, due to higher average realized prices partially offset by lower shipments.

Aluminum Processing - Revenue from net sales to third parties for the aluminum processing segment was 23% higher in the third quarter of 1995 than in the third quarter of 1994, and was 25% higher in the first nine months of 1995 than in the first nine months of 1994. Revenue from primary aluminum increased 108% in the third quarter of 1995 from the third quarter of 1994, and increased 54% in the first nine months of 1995 from the first nine months of 1994, due primarily to higher average realized prices and higher shipments. The increase in revenue for the first nine months of 1995 was partially offset by decreased shipments caused by the strike by the United Steelworkers of America ("USWA") discussed below. Shipments of primary aluminum to third parties were approximately 45% and 39% of total aluminum products shipments in the third quarter and first nine months of 1995, respectively, compared with approximately 31% and 36% in the third quarter and first nine months of 1994, respectively. Revenue from fabricated aluminum products increased 4% in the third quarter of 1995 from the third quarter of 1994, and increased 17% in the first nine months of 1995 from the first nine months of 1994, due to higher average realized prices partially offset by lower shipments for most of these products.

Operating Income (Loss)

Improved operating results in the third quarter of 1995 were partially offset by expenditures related to the Company's joint venture in China (see Liquidity and Capital Resources, Financing Activities), accelerated expenditures on the Company's micromill technology, maintenance expenses as a result of an electrical lightning strike at the Company's Trentwood, Washington, facility, and a work slowdown at the Company's 49%-owned Kaiser Jamaica Bauxite Company prior to signing a new labor contract. The combined impact of these expenditures on the results for the third quarter of 1995 was approximately \$6.0 (on a pre-tax basis).

Improved operating results in the first nine months of 1995 were partially offset by (i) an eight-day strike at five major domestic locations by the USWA, (ii) a six-day strike by the National Workers Union at the Company's 65%-owned Alpart alumina refinery in Jamaica, and (iii) a four-day disruption of alumina production at Alpart caused by a boiler failure. The combined impact of these events on results for the first nine months of 1995 was approximately \$17.0 in the aggregate (on a pre-tax basis) principally from lower production volume and other related costs.

Bauxite and Alumina - This segment's operating income was \$14.8 in the third quarter of 1995, compared with \$7.8 in the third quarter of 1994, and \$36.4 in the first nine months of 1995, compared with \$5.3 in the first nine months of 1994, principally due to higher revenue. Improved results for the first nine months of 1995 were partially offset by the effect of the strikes and boiler failure.

Aluminum Processing - This segment's operating income was \$58.9 in the third quarter of 1995, compared with \$3.3 in the third quarter of 1994, and was \$170.9 in the first nine months of 1995, compared with \$1.4 in the first nine months of 1994, principally due to higher revenue. Improved results for the first nine months of 1995 were partially offset by the effect of the strike by the USWA.

Corporate - Corporate operating expenses represented corporate general and administrative expenses which are not allocated to the Company's segments.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

Net Income (Loss)

The Company had net income of \$.13 and \$.40 per common share (\$.14 and \$.46 on a fully diluted basis) for the third quarter and the first nine months of 1995, respectively, compared with a net loss of \$.45 and \$1.62 per common share for the third quarter and first nine months of 1994, respectively. The principal reason for these changes was the improvement in operating income previously described, partially offset by other charges in the third quarter of 1995, principally related to the establishment of additional litigation reserves.

Liquidity and Capital Resources

Operating Activities

At September 30, 1995, the Company had working capital of \$378.2, compared with working capital of \$259.7 at December 31, 1994. The increase in working capital was due primarily to an increase in Receivables and Inventories and a decrease in Accrued interest and Other accrued liabilities, partially offset by a decrease in Prepaid expenses and other current assets (principally due to lower margin deposits related to hedging activities).

Investing Activities

Cash used for investing activities in the third quarter and the first nine months of 1995 consisted primarily of capital expenditures to improve production efficiency, reduce operating costs, expand capacity at existing facilities, and invest in a joint venture in China.

Financing Activities

At September 30, 1995, the Company had long-term debt of \$798.5, compared with \$751.1 at December 31, 1994. In March 1995, the 1994 Credit Agreement (see Note 5 of the Notes to Consolidated Financial Statements for the year ended December 31, 1994) was amended by the Second Amendment to Credit Agreement (the "Second Amendment"). The Second Amendment provided, among other things, for an increase in the revolving line of credit from \$275.0 to \$325.0 (of which \$125.0 could be used for letters of credit). At September 30, 1995, \$210.0 (of which \$72.4 could have been used for letters of credit) was available to KACC under the 1994 Credit Agreement. As of July 20, 1995, the 1994 Credit Agreement was amended by the Third Amendment to Credit Agreement in connection with the investment by Kaiser Yellow River Investment Limited, a subsidiary of KACC, in Yellow River Aluminum Industry Company Limited, an aluminum smelter joint venture in the People's Republic of China.

Loans under the 1994 Credit Agreement bear interest at a rate per annum, at KACC's election, equal to a Reference Rate (as defined) plus 1-1/2% or LIBO Rate (Reserve Adjusted) (as defined) plus 3-1/4%. After June 30, 1995, the interest rate margins applicable to borrowings under the 1994 Credit Agreement may be reduced by up to 1-1/2% (non-cumulatively), based on a financial test, determined quarterly. As of September 30, 1995, the financial test permitted a reduction of 1% per annum in margins effective October 1, 1995.

Trends

Hedging Programs

In respect of its remaining 1995 anticipated net exposure, at October 31, 1995, KACC had net forward sales contracts for 25,950 tons of primary aluminum at fixed prices, had purchased call options in respect of 11,500 tons of primary aluminum, had purchased put options to establish a minimum price for 32,250 tons of primary aluminum,

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

and had entered into option contracts that established a price range for 15,000 tons of primary aluminum. In respect of its 1996 anticipated net exposure, at October 31, 1995, KACC has sold forward 6,100 tons of primary aluminum at fixed prices (see Note 5 of Notes to Interim Consolidated Financial Statements).

Pacific Northwest

On November 6, 1995, KACC announced that it had signed new agreements with each of the Bonneville Power Administration ("BPA") and The Washington Water Power Company ("WWP"), each ending September 30, 2001, with respect to its electric power requirements in the Pacific Northwest. The agreement with BPA is for the purchase of electric power and the agreement with WWP is for power management services. These new arrangements contemplate a reduction in the amount of power which KACC will purchase from BPA in the future and the replacement of such power with power purchased from other suppliers under a variety of terms. Contemporaneously with entering into these agreements, KACC entered into a one-year power supply contract with BPA, ending September 30, 1996, in connection with the restart of idled capacity at its Mead smelter in Spokane, Washington. The restart began in late October 1995 and KACC expects to return the Mead smelter to full production by early 1996.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

- - - - -

Catellus Development Corporation v. Kaiser Aluminum & Chemical Corporation and James L. Ferry & Sons, Inc.

As previously and more fully stated in "Item 3. LEGAL PROCEEDINGS - - Catellus Development Corporation v. Kaiser Aluminum & Chemical Corporation and James L. Ferry & Sons, Inc." in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (the "10-K"), and as supplemented in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, on June 2, 1995, the United States District Court for the Northern District of California (the "District Court") issued an Order stating its preliminary findings on the remaining claims in that action. On October 12, 1995, the District Court issued final Findings of Fact and Conclusions of Law on those claims concluding that KACC is liable for various costs and interest through August 30, 1995, aggregating approximately \$2.2 million, fifty percent (50%) of future costs of cleaning up certain parts of the Property (as defined in the 10-K), and certain fees and costs associated specifically with the claim by Catellus against KACC. Entry of judgment is pending.

United States of America v. Kaiser Aluminum & Chemical Corporation

As previously and more fully stated in "Item 3. LEGAL PROCEEDINGS - - United States of America v. Kaiser Aluminum & Chemical Corporation" in the 10-K, KACC and the Environmental Protection Agency (the "EPA") have been involved in negotiations to resolve claims arising from alleged emissions from certain stacks at KACC's Trentwood facility in Spokane, Washington. KACC and the EPA, without adjudication of any issue of fact or law, and without any admission of the violations alleged in the underlying complaint, have entered into a Consent Decree, which on October 31, 1995, was lodged in United States District Court for the Eastern District of Washington for approval. If approved, the Consent Decree will settle the underlying disputes and require KACC to (i) pay a \$.5 million civil penalty, (ii) complete a program of plant improvements and operational changes that began in 1990 at its Trentwood facility, including the installation of an emission control system to capture particulate emissions from certain furnaces, and (iii) achieve and maintain furnace compliance with the opacity standard in the SIP (as defined in the 10-K) by no later than February 28, 1997. The Company anticipates that capital expenditures for the

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

environmental upgrade of the furnace operation at its Trentwood facility, including the improvements and changes required by the Consent Decree, will be approximately \$20.0 million.

Asbestos-related Litigation

As previously and more fully stated in "Item 3. LEGAL PROCEEDINGS - - Asbestos-related Litigation" in the 10-K, KACC is a defendant in a number of lawsuits in which the plaintiffs allege that certain of their injuries were caused by 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 4 of the Notes to Interim Consolidated Financial Statements contained in this report under the heading "Asbestos Contingencies" is incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- - - - -

(a) Exhibits.

Exhibit No.	Exhibit
4.1	Fourth Amendment to Credit Agreement, dated as of October 17, 1995, amending the Credit Agreement, dated as of February 17, 1994, as amended, among the Company, KACC, the financial institutions a party thereto, and BankAmerica Business Credit, Inc., as Agent.
11	Computation of Earnings Per Common and Common Equivalent Share
27	Financial Data Schedule.

(b) Reports on Form 8-K.

No report on Form 8-K was filed by the Company during the quarter ended September 30, 1995.

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 has signed this report on behalf of the registrant and as the principal financial officer of the registrant.

KAISER ALUMINUM CORPORATION

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

Dated: November 13, 1995

E x e c u t i o n   C o p y

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of October 17, 1995, 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 and the Third Amendment to Credit Agreement and Acknowledgement, dated as of July 20, 1995 (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 Amendment to Article I: Definitions.

A. The definition of "Joint Venture Affiliate" contained in Section 1.1 of the Credit Agreement is hereby

amended by inserting the phrase "Alwis (but only at such time as Alwis is not a Subsidiary of the Company and is an Affiliate of the Company), Alwis Acquisition (but only at such time as Alwis Acquisition is not a Subsidiary of the Company and is an Affiliate of the Company)," after the term "Furukawa," in the second line thereof.

B. The following definitions are hereby added to Section 1.1 of the Credit Agreement in the appropriate

alphabetical order:





"Alwis' means Alwis Leasing Corp., a Delaware corporation."

"Alwis Acquisition' means Kaiser Center Leasing, Inc., a Delaware corporation formed by the Company for the purpose of acquiring the capital stock of Alwis."

1.2 Amendments to Article IX: Covenants.

A. Clause (b)(ii) of Section 9.2.2 of the Credit Agreement is hereby amended by (i) adding the phrase ", Alwis, Alwis Acquisition" after the term "KAAC" in the first parenthetical contained in clause (A) thereof; (ii) adding the phrase ", Alwis or Alwis Acquisition" after the phrase "Yellow River Investment Company" in the first parenthetical contained in clause (B) thereof; and (iii) adding the phrase ", Alwis or Alwis Acquisition" after the phrase "Yellow River Investment Company" in the first parenthetical contained in clause (C) thereof.

B. Section 9.2.2 of the Credit Agreement is hereby amended by adding the following at the end of clause (b)(xvii) thereof:  
"; provided, however, that no Indebtedness incurred by Alwis or Alwis Acquisition pursuant to this Section 9.2.2(b)(xvii) may be guaranteed by the Company or any of its Subsidiaries."

C. Section 9.2.2 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (b)(xvii) thereof; and (ii) adding the following as new clause (b)(xix) thereof:

"(xix) Indebtedness of Alwis and Alwis Acquisition to the Company and its Subsidiaries; provided that the aggregate principal amount of such Indebtedness plus the aggregate amount of Investments in Alwis and Alwis Acquisition (without duplication) under Section 9.2.5(n) does not exceed \$250,000 in the aggregate at any one time outstanding; and"

D. Clause (e) of Section 9.2.5 of the Credit Agreement is hereby amended by adding the phrase ", Alwis or Alwis Acquisition" at the end of the first parenthetical contained therein.

E. Clause (n) of Section 9.2.5 of the Credit Agreement is hereby amended to read in its entirety as follows:

"(n) Investments in Alwis and Alwis Acquisition and Investments (other than Investments in MAXXAM, any Affiliate of MAXXAM (other than the Company, its Subsidiaries which are not Restricted Subsidiaries, or any Joint Venture Affiliate), Yellow



River Investment Company or Yellow River Aluminum) not otherwise permissible hereunder; provided that the aggregate amount of all Investments (without duplication) under this Section 9.2.5(n) does not exceed \$20,000,000 at any one time outstanding and provided further that the aggregate amount of Investments under this Section 9.2.5(n) in Alwis and Alwis Acquisition (without duplication) plus the aggregate principal amount of Indebtedness under Section 9.2.2(b)(xix) does not exceed \$250,000 in the aggregate at any one time outstanding;"

F. Clause (o) of Section 9.2.5 of the Credit

Agreement is hereby amended by adding the phrase "Alwis, Alwis Acquisition," after the phrase "other than" in the first parenthetical contained in clause (ii) thereof.

G. Section 9.2.5 of the Credit Agreement is hereby

amended by (i) deleting the period at the end of clause (q) thereof and substituting the phrase "; and" therefor; and (ii) amending clause (r) thereof to read in its entirety as follows:

"(r) Indebtedness which is an Investment permitted by clause (b)(xviii) or clause (b)(xix) of Section 9.2.2."

H. Section 9.2.20 of the Credit Agreement is hereby

amended by adding the following at the end thereof:

"; provided, however, the Company and its Subsidiaries

shall be permitted to transfer to the Company's Gramercy alumina refinery, at any time after the Initial Borrowing Date, equipment with a book value not to exceed \$100,000 in the aggregate owned on the Initial Borrowing Date and located at the Company's Baton Rouge facility on the Initial Borrowing Date"

Section 2. Conditions to Effectiveness.

This Amendment shall become effective as of the date hereof (the "Fourth Amendment Effective Date") only when the

following conditions shall have been met and notice thereof shall have been given by the Agent to the Parent Guarantor, the Company, the Agent and each Lender:

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 Company and the Parent Guarantor approving and authorizing the execution, delivery and performance



of this Amendment, certified by its corporate secretary or an assistant secretary 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) Certified copies of Alwis Acquisition's Articles of Incorporation;

(4) Copies of Alwis Acquisition's Bylaws, certified as of the date of delivery to Agent by its corporate secretary or an assistant secretary;

(5) For each Lender an opinion, addressed to the Agent and each Lender, from Kramer, Levin, Naftalis, Nessen, Kamin & Frankel, in substantially the form of Exhibit A attached hereto, with such changes therein as shall be satisfactory to the Agent; and

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

Section 3. 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 Fourth 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 Indenture dated as of February 1, 1993, as amended by the First Supplemental Indenture dated May 1, 1993, between the Company, and Kaiser Finance Corporation, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc. and Kaiser Jamaica Corporation, as Subsidiary Guarantors, and The First National Bank of Boston, as Trustee, or the Indenture dated as of February 17, 1994, between the Company, and Kaiser Finance Corporation, Kaiser Alumina Australia Corporation, Alpart Jamaica Inc. and Kaiser Jamaica Corporation, as Subsidiary Guarantors, and First Trust National Association, as Trustee, 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

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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

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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

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from Credit Agreement. Each of the statements set forth in  
-----  
Section 7.2.1 of the Credit Agreement is true and correct.  
-----

Section 4. Conditions Subsequent.

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On or prior to the date on which Alwis Acquisition acquires any of the capital stock of Alwis, the Agent shall have received:

A. Stock certificates evidencing at least 50% of the issued and outstanding shares of capital stock of Alwis





Acquisition, accompanied by undated stock powers duly executed in blank; and

B. A Pledge Amendment to the Company Pledge Agreement with respect to at least 50% of the issued and outstanding shares of capital stock of Alwis Acquisition duly executed on behalf of the Company.

Section 5. Acknowledgement and Consent.  
-----

The Company is a party to the Company Collateral Documents, in each case as amended through the Fourth Amendment Effective Date, 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 Fourth Amendment Effective Date, 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 Fourth Amendment Effective Date, pursuant to which such Subsidiaries have (i) guarantied 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",  
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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.  
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A. Reference to and Effect on the Credit Agreement  
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and the Other Loan Documents.  
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(1) On and after the Fourth 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  
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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  
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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  
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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  
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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

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER ALUMINUM & CHEMICAL  
CORPORATION

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

BANKAMERICA BUSINESS CREDIT,  
INC., as Agent

By: \_\_\_\_\_  
Name: Michael J. Jasaitis  
Its: Vice President

BANKAMERICA BUSINESS CREDIT,  
INC.

By: \_\_\_\_\_  
Name: Michael J. Jasaitis  
Its: Vice President

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

THE CIT GROUP/BUSINESS CREDIT,  
INC.

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

CONGRESS FINANCIAL CORPORATION  
(WESTERN)

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

HELLER FINANCIAL, INC.

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

LA SALLE NATIONAL BANK

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

NATIONAL WESTMINSTER BANK PLC

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

TRANSAMERICA BUSINESS CREDIT  
CORPORATION

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

ABN AMRO BANK N.V.

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Its: \_\_\_\_\_



ACKNOWLEDGED AND AGREED TO:

AKRON HOLDING CORPORATION

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER ALUMINUM PROPERTIES,  
INC.

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

OXNARD FORGE DIE COMPANY, INC.

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER ALUMINA AUSTRALIA  
CORPORATION

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

ALPART JAMAICA INC.

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER BAUXITE COMPANY

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &

KAISER ALUMINUM & CHEMICAL  
INVESTMENT, INC.

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER ALUMINUM TECHNICAL  
SERVICES, INC.

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER ALUMINIUM  
INTERNATIONAL, INC.

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER FINANCE CORPORATION

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER JAMAICA CORPORATION

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &  
Treasurer

KAISER EXPORT COMPANY

By: \_\_\_\_\_  
Name Printed: John T. La Duc  
Its: Vice President, Chief  
Financial Officer &





Treasurer

Treasurer



EXHIBIT A

October \_\_, 1995

BankAmerica Business Credit, Inc.,  
as Agent  
Two North Lake Avenue, Suite 400  
Pasadena, California 91101

and

The Lenders Listed on Schedule A Hereto

Re: Fourth Amendment to Credit Agreement (the "Fourth Amendment"), dated as of October 17, 1995, among Kaiser Aluminum & Chemical Corporation, Kaiser Aluminum Corporation, certain financial institutions, and BankAmerica Business Credit, Inc., as Agent (the "Agent")

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Ladies and Gentlemen:

We have acted as special counsel to Kaiser Aluminum & Chemical Corporation, a Delaware corporation (the "Company"), and Kaiser Aluminum Corporation, a Delaware corporation (the "Parent Guarantor"), in connection with the Fourth Amendment. Capitalized terms used but not defined herein have the meanings assigned thereto in the Credit Agreement, as amended by the Fourth Amendment. As used herein, "Credit Agreement" has the meaning ascribed thereto in the first recital of the Fourth Amendment.

In rendering the opinion set forth herein, we have reviewed the Credit Agreement, the Fourth Amendment and have examined originals or copies, certified, or otherwise identified to our satisfaction, of (a) the Certificate of Incorporation and By-laws of the Company and the Parent Guarantor as in effect on the date hereof, and (b) such other documents, records, certificates and instruments (collectively, "Documents") as in our judgment are necessary or appropriate as the basis for the opinion expressed below.

In our examination we have assumed the genuineness of all signatures, the authenticity of all Documents submitted to us as originals, the conformity to original documents of all Documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and the Parent Guarantor and certificates of public officials. We also have assumed (i) the valid authorization, execution, and delivery of the Fourth Amendment by the parties thereto (other than the Company and the Parent Guarantor),



and

The Lenders Listed on Schedule A Hereto

(ii) that each such other party has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization with the corporate or other organizational power to perform its obligations thereunder, and (iii) that the Fourth Amendment constitutes the legal, valid and binding obligations of each such other party enforceable against each such other party in accordance with its terms (subject to qualifications and limitations similar to those set forth in clauses (a) and (b) on pages \_\_ and \_\_ of this opinion).

Based upon the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

1. The execution, delivery, and performance by each of the Company and the Parent Guarantor of the Fourth Amendment, and the performance by the Company and the Parent Guarantor of the Credit Agreement as amended by the Fourth Amendment are within their respective corporate powers, have been duly authorized by all necessary corporation action on the part of the Company and the Parent Guarantor, and do not:

(a) violate the Organic Documents of the Company or the Parent Guarantor; or

(b) violate any court decree or order of any governmental authority which, after our due inquiry, has been specifically disclosed to us by the Company or the Parent Guarantor.

2. The Fourth Amendment has been duly executed and delivered by each of the Company and the Parent Guarantor.

3. The Fourth Amendment constitutes the legal, valid, and binding obligation of each of the Company and the Parent Guarantor, enforceable against each of the Company and the Parent Guarantor in accordance with its terms.

The opinion set forth in paragraph 3 above is subject to the following qualifications and limitations and the other opinions set forth above are subject to the following qualifications and limitations, other than those set forth in clauses (a), (b) and (c) below:



and

The Lenders Listed on Schedule A Hereto

(a) The enforceability of the Fourth Amendment may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance or transfer, moratorium, or other laws and court decisions now or hereafter in effect relating to or affecting the rights of creditors generally;

(b) The enforceability of the Fourth Amendment is subject to the application of and may be limited by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law). Such principles of equity are of general application and in applying such principles a court, among other things, might not allow a creditor to accelerate the maturity of a debt under certain circumstances, including, without limitation, upon the occurrence of a default deemed immaterial or might decline to order an obligor to perform covenants. Such principles applied by a court might include a requirement that a creditor act with reasonableness and in good faith. Thus, we express no opinion as to the validity or enforceability of (i) provisions restricting access to legal or equitable remedies, such as the specific performance of executory covenants, (ii) provisions that purport to establish evidentiary standards, (iii) provisions relating to waivers, severability, indemnity, submissions to jurisdiction, set off, delay or omission of enforcement of rights or remedies, and (iv) provisions purporting to convey rights to persons other than parties to the Credit Agreement. In addition, we express no opinion as to the enforceability of any provision purporting to provide indemnification or contribution relating to matters arising under Federal or State securities laws;

(c) The remedy of specific performance and injunctive and other forms of equitable relief are subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought;

(d) We have not been requested to render, and with your permission we do not express, any opinion as to the applicability to any Loan Document or security interests of Section 548 of the Federal Bankruptcy code, Article 10 of the New York Debtor & Creditor Law, or any other fraudulent conveyance, insolvency or transfer laws or any court decisions with respect to any of the foregoing;





and

The Lenders Listed on Schedule A Hereto

(e) Our opinion expressed herein is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware, and the Federal laws of the United States of America, and we do not express any opinion herein concerning any other laws. We express no opinion as to the effects (if any) of any laws of any jurisdiction (except the State of New York) in which any Lender is located which limits the rate of interest that such Lender may charge or collect.

The opinion expressed herein is based upon the laws in effect on the date hereof, and we assume no obligation to review or supplement this opinion should any such law be changed by legislative action, judicial decision or otherwise.

Ezra G. Levin, a partner of our firm, is a director of the Company and the Parent Guarantor.

This opinion is being furnished only to the addressees named above pursuant to Section 2.B.(5) of the Fourth Amendment and is solely for the benefit of such Persons in connection with the execution, delivery and effectiveness of the Fourth Amendment. Accordingly, this opinion may not be used, quoted, or relied upon by any other person or entity or for any other purpose without, in each instance, our express prior written consent.

Very truly yours,



SCHEDULE A

BankAmerica Business Credit, Inc.

Bank of America National Trust  
and Savings Association

The CIT Group/Business Credit, Inc.

Congress Financial Corporation (Western)

Heller Financial, Inc.

La Salle National Bank

National Westminster Bank PLC

Transamerica Business Credit Corporation

ABN Amro Bank N.V.



PLEDGE AMENDMENT

This Pledge Amendment, dated October , 1995, is delivered pursuant to Section 4.2(b) of the Company Pledge Agreement referred to

-----  
below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Company Pledge Agreement dated as of February 15, 1994, as amended through the date hereof, between the undersigned and BankAmerica Business Credit, Inc., as the Agent (the "Pledge Agreement," capitalized terms defined therein being used herein as therein defined), and that the Pledged Shares listed on this Pledge Amendment shall be deemed to be part of the Pledged Shares and shall become part of the Collateral and shall secure all Secured Obligations.

KAISER ALUMINUM & CHEMICAL CORPORATION

By:  
Name Printed: John T. La Duc  
Its: Vice President, Chief Financial  
Officer & Treasurer

Issuer	Jurisdiction of Incorporation	Certificate No.(s)	Number of Shares	% of Class
-----	-----	-----	-----	-----
Kaiser Center Leasing, Inc.	Delaware			50%

Debt Issuer	Amount of Indebtedness
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## KAISER ALUMINUM CORPORATION

COMPUTATION OF EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (1)  
(In millions of dollars, except per share amounts)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
<b>Primary:</b>				
<b>Earnings:</b>				
Income (loss) before extraordinary loss	\$ 12.5	\$ (20.8)	\$ 39.3	\$ (73.7)
Dividends on preferred stock:				
Series A Shares	(2.8)	(3.2)	(9.1)	(9.5)
PRIDES	(2.1)	(2.1)	(6.4)	(5.3)
Income (loss) available to common shareholders before extraordinary loss	7.6	(26.1)	23.8	(88.5)
Extraordinary loss, net				(5.4)
Net income (loss) available to common shareholders	\$ 7.6	\$ (26.1)	\$ 23.8	\$ (93.9)
<b>Shares (000):</b>				
Weighted average common shares outstanding	58,240	58,161	58,234	58,118
Additional weighted average shares arising from conversion of Series A Shares	1,570		529	
Assuming exercise of nonqualified stock options	415		252	
Weighted average common and common equivalent shares	60,225	58,161	59,015	58,118
<b>Primary earnings (loss) per common share:</b>				
Income (loss) before extraordinary loss	\$ .13	\$ (.45)	\$ .40	\$ (1.53)
Extraordinary loss				(.09)
Net income (loss)	\$ .13	\$ (.45)	\$ .40	\$ (1.62)
<b>Fully diluted:</b>				
<b>Earnings:</b>				
Income before extraordinary loss	\$ 12.5		\$ 39.3	
Dividends on PRIDES	(2.1)		(6.4)	
Net income available to common and common equivalent shareholders	\$ 10.4		\$ 32.9	
<b>Shares (000):</b>				
Weighted average common shares outstanding	58,240		58,234	
Weighted average shares assuming conversion of Series A Shares at the beginning of period	13,127		13,127	
Assuming exercise of nonqualified stock options	415		252	
Weighted average common and common equivalent shares	71,782		71,613	
Fully diluted earnings per common and common equivalent share	\$ .14		\$ .46	

(1) See Note 3 of Notes to Interim Consolidated Financial Statements.

This schedule contains summary financial information extracted from the interim consolidated financial statements of the Company for the nine months ended September 30, 1995, and is qualified in its entirety by reference to such financial statements.

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 KAISER ALUMINUM CORPORATION  
 1,000,000

9-MOS	DEC-31-1995	
	JAN-01-1995	
	SEP-30-1995	11
		0
		278
		0
		531
		894
		1,099
		0
		2,788
515		0
		1
0		0
		42
2,788		1,647
		1,330
		1,647
		1,330
		167
		0
		71
		68
		25
39		0
		0
		0
		39
		.40
		.46