

SETTLEMENT AGREEMENT AND MUTUAL RELEASE -- AIG PARTIES

This Settlement Agreement and Mutual Release (hereinafter the "Agreement") is made by and between the KACC Parties and the AIG Parties, as more fully defined below (the aforementioned parties being referred to hereinafter collectively as the "Parties" or individually as a "Party"), and upon its creation, the Funding Vehicle Trust. Pursuant to Article V of the Plan, and as set forth herein, the Funding Vehicle Trust shall, upon the Trigger Date, be bound by all of the provisions of this Agreement with the same force and effect as if it had been a Party on the Execution Date.

WITNESSETH THAT:

WHEREAS, AIG Member Companies issued insurance policies to certain KACC Parties more fully described below as the Subject Policies; and,

WHEREAS, the KACC Parties have incurred and may incur in the future certain liabilities, expenses and losses arising out of Tort Claims, as that term is defined herein; and

WHEREAS, in an effort to obtain an adjudication of its rights for coverage under the Subject Policies as to asbestos containing product bodily injury liabilities, KACC filed an action captioned Kaiser Aluminum & Chemical Corporation v. Certain Underwriters at Lloyd's, London, et al., Case No. 312415, in the Superior Court of California, County of San Francisco ("the Products Action"); and

WHEREAS, KACC filed another coverage action seeking an adjudication of its rights for coverage under certain other insurance policies as to asbestos and certain other bodily injury claims arising out of former KACC premises, captioned Kaiser Aluminum & Chemical Corporation v. Insurance Company of North America, et al., Case No. 322710, in the Superior Court of California, County of San Francisco ("the Premises Action"); and

WHEREAS, one or more AIG Member Companies are defendants in the Products Action and the Premises Action; and

WHEREAS, on or about February 12, 2002, Kaiser Aluminum and other debtors filed a reorganization case pursuant to Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, Bankruptcy Petition No. 02-10429-JKF, et seq. (the "Bankruptcy Proceeding(s)") and Kaiser Aluminum continues to operate its business as debtor and debtor-in-possession; and

WHEREAS, the KACC Parties assert, and AIG Parties dispute, that AIG Member Companies are obligated or will be obligated under the Subject Policies to make liability payments and pay defense costs in connection with Claims; and

WHEREAS, on or about September 7, 2005, certain Debtors filed a Second Amended Joint Plan of Reorganization of Kaiser Aluminum Corporation, Kaiser Aluminum & Chemical Corporation and Certain of Their Debtor Affiliates, as subsequently modified pursuant to certain Bankruptcy Court Orders, which Second Amended Plan, as modified, was confirmed by Bankruptcy Court Order dated February 6, 2006; and

WHEREAS, by this Agreement, the Parties intend to adopt, by way of compromise, and without prejudice to or waiver of their respective positions in other matters, without further trial or adjudication of any issues of fact or law, and without AIG Member Companies' admission of liability or responsibility under the Subject Policies, a full and final settlement that releases and terminates all rights, obligations and liabilities (if any) that the Parties may owe one another with respect to the Subject Policies, without prejudice to their respective positions on policy coverage or any other issues in the Products Action and Premises Action, or any other action, except as expressly set forth otherwise herein, and fully and finally settle all Claims (past, present, know or unknown) that the Parties asserted or could have asserted against one another in the coverage litigation, including the Products Action and the Premises Action; and

WHEREAS, the KACC Parties and the AIG Parties agree that the injunctive relief set forth in the injunctions contemplated by this Agreement and to be incorporated into the Plan and the Confirmation Order in connection with the Reorganization Case is reasonable, appropriate and material to the Parties entering into the Agreement; and

WHEREAS, the payment of the Settlement Amount by AIG Member Companies pursuant to this Agreement, and the effectiveness of the releases provided in this Agreement are contingent upon the satisfaction of certain conditions subsequently specified herein; and,

WHEREAS, this Agreement is entered into by the Parties in good faith and is the result of arms-length negotiations between the Parties.

AGREEMENTS

NOW, THEREFORE, in full consideration of the foregoing and of the mutual promises and covenants herein contained, and intending to be legally bound, subject to the entry of the Approval Order as a Final Order and subject to the terms and conditions set forth herein, the Parties hereby agree as follows:

I. Definitions

The following definitions will apply to the capitalized terms wherever those terms appear throughout the Agreement or in any attachments hereto. Capitalized terms in the prefatory paragraph, recitals, the Definitions section, and in the sections below have the

meanings ascribed to them therein to the extent they are not otherwise defined in this Definitions section. Capitalized terms that are not defined in this Agreement have the meanings set forth Second Amended Plan as confirmed by the Bankruptcy Court Order dated February 6, 2006. Each defined term stated in a singular form includes the plural form, each defined term stated in plural form includes the singular form, and each defined term stated in the masculine, feminine, or neuter form includes each of the masculine, feminine and neuter forms. The word "including" means "including but not limited to."

A. ACC: The term "ACC" means the Asbestos Claimants' Committee in the Bankruptcy Proceeding.

B. Affiliate: An "Affiliate" of an Entity shall mean another Entity that is directly or indirectly controlled through one or more intermediaries by the first Entity.

C. Agreement: The term "Agreement" means this Settlement Agreement And Mutual Release With AIG, as the same may be amended or modified from time to time in accordance with its provisions.

D. AIG Member Companies: The term "AIG Member Companies" means AIU Insurance Company, Granite State Insurance Company, Insurance Company of the State of Pennsylvania, Landmark Insurance Company, Lexington Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA, and New Hampshire Insurance Company.

E. AIG Parties: The term "AIG Parties" means (i) AIG Member Companies; (ii) American International Group, Inc.; (iii) each of AIG Member Companies' direct and indirect parents, Subsidiaries, Affiliates, associated corporations, divisions, holding companies direct and indirect, merged companies, acquired companies, predecessors, successors and assigns, solely in their capacities as such, as of the Execution Date; and (iv) the directors, officers, shareholders, agents, representatives, employees, managing agents, principals, and attorneys of each of the foregoing, solely in their capacities as such.

F. Approval Order: The term "Approval Order" means an order of the Bankruptcy Court or the District Court exercising its original bankruptcy jurisdiction, substantially in the form of Attachment A hereto, approving this Agreement and the compromise and settlement memorialized herein between and among the Parties.

G. Asbestos Legislation: The term "Asbestos Legislation" means any legislation enacted into law by the United States that (1) regulates, limits or controls the prosecution of asbestos personal injury claims in the state and federal courts, and (2) creates, purports to create or results in creating an obligation on

AIG Member Companies to pay money pursuant to the legislation for the benefit of asbestos personal injury claimants generally and not only for the benefit of Asbestos Personal Injury Claimants under the Plan. The term "Asbestos Legislation" does not mean legislation that concerns only general tort reform, class action reform, malpractice reform, or tax reform, or any other legislation that would regulate, limit or control claims not arising from or attributable to exposure to asbestos or asbestos-containing products. For the avoidance of doubt, the fact that legislation alters or modifies the requirements or standards for establishing liability against the Debtors and/or the Asbestos PI Trust for Asbestos Personal Injury Claims (including legislation that imposes medical and/or exposure criteria, imposes strict liability on the Debtors and/or the Asbestos PI Trust for Asbestos Personal Injury Claims, or regulates or limits the jurisdiction or forum in which an Asbestos Personal Injury Claim may be brought) does not make such legislation "Asbestos Legislation" under this Section I(G).

H. Bankruptcy Court: The term "Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware.

I. Business Day: The term "Business Day" means any day that is not a Saturday, a Sunday, or a federal holiday in the United States of America.

J. Claim: The term "Claim" means:

1. "Claim" as that term is defined in the United States Bankruptcy Code, 11 U.S.C. Sec. 101(5);
2. "Demand" as that term is defined in the United States Bankruptcy Code, 11 U.S.C. Sec. 524(g)(5); and
3. any claim (whether past, present or future, known or unknown, asserted or unasserted, foreseen or unforeseen, fixed or contingent, direct or indirect, matured or unmatured, liquidated or unliquidated, direct or consequential, and whether in law, equity, admiralty or otherwise), assertion of right, complaint, cross-complaint, counterclaim, affirmative defense, writ, demand, inquiry, request, directive, obligation, suit, lawsuit, action, cause of action, administrative proceeding, governmental claim or action, order, judgment, settlement, mediation, arbitration, lien, and any other assertion of liability of any kind. For the avoidance of doubt, "Claim" includes, but is not limited to, any Asbestos Personal Injury Claim, Silica Personal Injury Claim, CTPV Personal Injury Claim, NIHL Personal Injury Claim and any Channeled Personal Injury Claim and any Indirect Channeled Personal Injury Claim, or any other claim:

- a. arising out of, related to, involving, resulting from or attributable in any way, in whole or in part, to asbestos, silica, coal tar, or benzene in any form and from any source, including products containing such substances, or to any other substance, product, matter or material in any form or state;
- b. any cumulative or other injury or damage, including noise induced hearing loss, arising from any activity, operation, or exposure;
- c. any alleged bad faith, conspiracy, unfair claim practice, unfair trade practice, unfair insurance practice, fraud or misrepresentation, or extra-contractual or tort liability, under any theory of liability whatsoever;
- d. for damages (including any damage or injury of any kind whatsoever caused by or allegedly caused by asbestos, silica, coal tar, benzene or noise), including damages as a result of death, bodily injury, sickness, disease, emotional injury, damage to property, diminution in value or loss of use, economic loss, and punitive, exemplary, statutory damages or penalties, indemnity or defense obligations, insurance premiums (whether retrospectively rated or otherwise), deductibles, self-insured retentions, costs, expenses, contribution or subrogation; or
- e. pursuant to or under a contract, other agreement, promise, representation or warranty or pursuant to any direct action or statutory or regulatory right of action or based on tort liability.

K. Confirmation Order: The term "Confirmation Order" means an order entered by the Bankruptcy Court in the Reorganization Case confirming the Plan, including the PI Channeling Injunction provisions applicable to the AIG Parties as provided under this Agreement, together with any order of the United States District Court issued pursuant to section 524(g)(3)(A) of the Bankruptcy Code confirming or affirming such order.

L. Court: The term "Court" means either the Bankruptcy Court or the District Court, as appropriate.

M. District Court: The term "District Court" means the United States District Court for the District of Delaware.

N. Entity: The term "Entity" shall mean any individual, corporation, limited liability company, partnership, association, joint stock company, joint venture, estate, trust, unincorporated organization, federal, state, local or foreign government (or any governmental or quasi-governmental body or political subdivision or any agency, department, board or instrumentality thereof), or other person or entity.

O. Execution Date: The term "Execution Date" means the earliest date on which this Agreement has been signed by all of the Parties.

P. FACR: The term "FACR" means the Future Claimants' Representative for asbestos-related claimants in the Bankruptcy Proceeding (also known as the "Future Asbestos-Related Claimants' Representative").

Q. FCRs: The term "FCRs" means the FACR, the FSCR and the FCTPVCR, solely in their capacity as such.

R. FCTPVCR: The term "FCTPVCR" means the Future Claimants' Representative for coal tar pitch volatiles-related claimants in the Bankruptcy Proceeding (also known as the "Future CTPV-Related Claimants' Representative").

S. FSCR: The term "FSCR" means the Future Claimants' Representative for silica-related claimants in the Bankruptcy Proceeding (also known as the "Future Silica-Related Claimants' Representative").

T. Final Order: "Final Order" means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction, as entered on the docket in any Reorganization Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing has been denied or has resulted in no modification of such order.

U. KACC Parties: The term "KACC Parties" means:

1. Kaiser Aluminum Corporation;
2. Kaiser Aluminum;
3. All other Debtors;

4. All Subsidiaries, divisions, and Affiliates of the foregoing and any other Entities in which any of the foregoing has an ownership interest of fifty (50) per cent or greater;
5. Any Entity on whose behalf any of the foregoing has the power to release Claims under the Subject Policies or the Other AIG Parties Policies;
6. The predecessors of any of the foregoing, and any Entities that have been merged into or acquired by any of the foregoing, in their capacity as such; and,
7. The directors, officers, agents, employees, representatives, shareholder principals, and attorneys of any of the foregoing, solely in their respective capacities as such.

V. Kaiser Aluminum: The term "Kaiser Aluminum" means Kaiser Aluminum & Chemical Corporation, a Delaware corporation.

W. Other AIG Parties Policies: The term "Other AIG Parties Policies" shall mean any liability insurance policy (including wrap-up policy, site-specific policy or project specific policy; whether such policy is primary, excess or otherwise; whether known or unknown, domestic or foreign, and regardless of the policy territory covered) that was issued or allegedly issued by any AIG Party to a KACC Party prior to the Execution Date that is not a Subject Policy. The term "Other AIG Parties Policies" shall not include any Included PI Trust Insurance Policy.

X. Plan: The term "Plan" means the Second Amended Joint Plan of Reorganization of Kaiser Aluminum Corporation, Kaiser Aluminum & Chemical Corporation and Certain of Their Debtor Affiliates as described in the Bankruptcy Court's Confirmation Order dated February 6, 2006, or any subsequent modification to such Plan, provided, however, that such modifications:

1. are consistent with the terms of this Agreement;
2. do not materially and adversely affect the interests under this Agreement of the AIG Parties or the KACC Parties;
3. do not narrow the scope of the PI Channeling Injunction or its application to the AIG Parties;
4. continue to provide that the Funding Vehicle Trust shall be bound to the provisions of this Agreement;

5. continue to provide that the Funding Vehicle Trust shall be the only Entity under the Plan with the right of recovery from any PI Insurance Company for Channeled Personal Injury Claims or, if not, provide that any such Entity that has such right to pursue such insurance recovery shall be bound to the provisions of this Agreement (among others) with the same force and effect as if said Entity was a party to this Agreement; and,
6. continue to provide that the PI Trusts shall be bound at the demand of the Funding Vehicle Trust to comply with the obligations of this Agreement.

Y. Plan Effective Date: The term "Plan Effective Date" means the Effective Date as defined in the Plan.

Z. Settlement Amount: The term "Settlement Amount" means the maximum aggregate amount that AIG Member Companies are obligated to pay under this Settlement, which is the sum of five hundred sixty-seven million eight hundred eighty-five thousand five hundred ninety Dollars U.S. (\$567,885,590.00 (U.S.)).

AA. Subject Policies: The term "Subject Policies" shall mean the following policies, described by reference to plaintiff exhibit number in the Phase 1 Trial in the Products Action.

<u>Policy #</u>	<u>Term</u>		<u>Exhibit #</u>
75-100245	04/01/78	to 04/01/79	172
75-100534	04/01/79	to 04/01/80	194
75-101304	04/01/80	to 04/01/81	216
75-102713	04/01/82	to 04/01/83	276
75-102801	04/01/83	to 04/01/84	299
75-102865	04/01/84	to 04/01/85	319
75-102866	04/01/84	to 04/01/85	325
6179-1135	04/01/79	to 04/01/80	65
SCLD 80-93154	04/01/77	to 04/01/78	155
6178-0331	05/12/78	to 04/01/79	181
6179-1136	04/01/79	to 04/01/80	206
6180-2026	04/01/80	to 04/01/81	229
6180-2066	04/01/80	to 04/01/81	235
6181-2920	04/01/81	to 04/01/82	242

6184 4849	04/01/84	to	04/01/85	308
410-4570	02/01/70	to	02/01/73	34
4173-5516	02/01/73	to	04/01/76	38
4176-6932	04/01/76	to	04/01/77	47
4177-7701	04/01/77	to	04/01/78	53
FE 400 00 37	04/01/78	to	04/01/79	59
CE 5503360	04/01/76	to	04/01/79	41
CE 5503361	04/01/76	to	04/01/79	43
5513764	04/01/79	to	04/01/81	68
5540845 FR	04/01/81	to	04/01/82	77
5540846	04/01/81	to	04/01/82	79
KY013782/5570235	04/01/82	to	04/01/83	117
5513490	05/17/78	to	04/01/79	180
5514248	04/01/82	to	04/01/83	257
5525302	04/01/83	to	04/01/84	281
5525324	04/01/84	to	04/01/85	304
1225474	04/01/79	to	04/01/80	71
1186027	07/15/77	to	04/01/78	162
960 7301	04/01/84	to	04/01/85	321
1186089	04/01/78	to	04/01/79	60
1225818	04/01/80	to	04/01/81	74
1186088	04/01/78	to	04/01/79	175
1186110	05/11/78	to	04/01/79	179
1225751	04/01/79	to	04/01/80	190
1225472	04/01/79	to	04/01/80	196
12254 73	04/01/79	to	04/01/80	201
1225815	04/01/80	to	04/01/81	212
1225816	04/01/80	to	04/01/81	218
1225817	04/01/80	to	04/01/81	224
9601557	04/01/81	to	04/01/82	241
960-4812	04/01/82	to	04/01/83	265
9604885	04/01/83	to	04/01/84	288
9604889	04/01/83	to	04/01/84	296
960 7300	04/01/84	to	04/01/85	313
5173-0230	06/06/73	to	06/06/76	141

BB. Subsidiary: The term "Subsidiary" of an Entity shall mean a corporation as to which the Entity possesses shares of common stock and exercises control through the voting power of said stock.

CC. Tort Claims: The term "Tort Claims" shall mean any and all Asbestos Personal Injury Claims, Silica Personal Injury Claims, CTPV Personal Injury Claims and NIHL Personal Injury Claims.

DD. Trigger Date: The term "Trigger Date" means the day that the last of the following has occurred:

1. the Approval Order becomes a Final Order;
2. the Confirmation Order becomes a Final Order; and
3. the occurrence of the Plan Effective Date.

EE. Trusts: The term "Trusts" means the Funding Vehicle Trust, Asbestos PI Trust, CTPV PI Trust, NIHL PI Trust and/or and Silica PI Trust (as those terms are defined in the Plan).

II. Payment of Settlement Amount

The Settlement Amount under this Agreement is payable to the Funding Vehicle Trust as follows:

A. AIG Member Companies shall pay to the Funding Vehicle Trust thirty-seven and one-half percent (37.5%) of trust expenses and the liquidation values of Asbestos Personal Injury Claims liquidated by the PI Asbestos Trust and Silica Personal Injury Claims liquidated by the PI Silica Trust. AIG Member Companies' obligation to pay is subject to quarterly caps and associated rollover provisions as described in Sections II(A)(1) and II(A)(2), below and is subject to an aggregate cap as follows. The obligation of AIG Member Companies to pay under this Agreement ceases when AIG Member Companies have finally paid the Settlement Amount (viz, five hundred sixty-seven million eight hundred eight-five thousand five hundred ninety United States dollars (\$567,885,590 (US)), to the Funding Vehicle Trust.

1. AIG Member Companies shall be obligated to make payments on the following dates subject to the following quarterly caps, and subject to the requirement that the Funding Vehicle Trust give notice that the Trigger Date has occurred: In the event that any payment date falls before or within 45 days of notice of the Trigger Date, the

scheduled date of payment shall be adjusted to be 45 days from notice of the Trigger Date. Each payment shall be based upon an invoice provided by the Funding Vehicle Trust no less than 30 days before the payment date. If the Funding Vehicle Trust fails to submit the invoice within at least 30 days before the due date described above for any scheduled payment, the obligation of AIG Member Companies shall be extended for a period necessary for there to be a 30 day period between invoice date and payment date.

Payment Date	Cap Amount
10/15/2006	\$15,000,000
1/15/2007	\$15,000,000
4/15/2007	\$15,000,000
7/15/2007	\$15,000,000
10/15/2007	\$17,000,000
1/15/2008	\$17,000,000
4/15/2008	\$17,000,000
7/15/2008	\$17,000,000
10/15/2008	\$16,000,000
1/15/2009	\$16,000,000
4/15/2009	\$16,000,000
7/15/2009	\$16,000,000
10/15/2009	\$15,000,000
1/15/2110	\$15,000,000
4/15/2110	\$15,000,000
7/15/2110	\$15,000,000
10/15/2110	\$15,000,000
1/15/2011	\$15,000,000
4/15/2011	\$15,000,000
7/15/2011	\$15,000,000

10/15/2011	\$14,000,000
1/15/2012	\$14,000,000
4/15/2012	\$14,000,000
7/15/2012	\$14,000,000
10/15/2012	\$14,000,000
1/15/2013	\$14,000,000
4/15/2013	\$14,000,000
7/15/2013	\$14,000,000
10/15/2013	\$13,000,000
1/15/2014	\$13,000,000
4/15/2014	\$13,000,000
7/15/2014	\$13,000,000
10/15/2014	\$13,000,000
1/15/2015	\$13,000,000
4/15/2015	\$13,000,000
7/15/2015	\$13,000,000
10/15/2015	\$10,000,000
1/15/2016	\$10,000,000
4/15/2016	\$10,000,000
7/15/2016	\$ 9,885,590

2. The invoice provided by the Funding Vehicle Trust to AIG Member Companies shall specify the liquidation values of the claims and the calculation of the amount AIG Member Companies would be required to pay absent a cap, the amount AIG Member Companies are required to pay under the cap, and describe the basis for the calculation, including liquidated claims information that forms the basis for the calculation, showing any rollover calculations that may be appropriate under Section II(A)(4) below. AIG Member Companies recognize that claims that may be liquidated during the

period of the invoice but not accounted for in the invoice may be submitted in subsequent invoices.

3. The caps described in Section II(A)(1) are subject to adjustment as follows and as provided in Section II(B)(2) below:
 - a. If the amount the AIG Member Companies would be required to pay is less than the cap, the remaining balance of the cap shall be added to the next cap so as to increase the cap for that succeeding quarter.
 - b. If the amount the AIG Member Companies would be required to pay is greater than the cap established pursuant to Sections II(A)(1) and II(A)(4)(a), then the overage shall be rolled over to subsequent quarters.

B. AIG Member Companies shall not be entitled to challenge or question the Trust Distribution Procedures, nor shall they be entitled to challenge or question its obligation to make payments pursuant to the terms and conditions of this Settlement Agreement, or to offset, take credit against or otherwise withhold any such payments, based on any claim that the Trusts or the Trustees did not properly incur expenses or did not properly liquidate claims in accordance with Trust Distribution Procedures, or otherwise, with only two exceptions:

1. If AIG Member Companies determine based on their review and/or audit of Claims or payments funded in whole or in part by the proceeds of this Agreement that the total amount of all such PI Trust expenses and liquidation values of such Channeled Personal Injury Claims reported to AIG Member Companies and used as the base for calculating the percentage share paid by AIG Member Companies or rollover amounts, all as provided in Section II(A), above, was miscalculated due to an accounting error, AIG Member Companies may bring such accounting error to the attention of the relevant Trustees and request that the Trustees review the matter and, if the Trustees agree that there has been an accounting error, credit AIG Member Companies with the amount of any overpayment by AIG Member Companies resulting from the accounting error and apply such credit toward AIG Member Companies' obligations to make payments under this Agreement without, however, reducing AIG Member Companies' overall obligation to pay the Settlement Amount, as provided in Section II(A), above.
2. If AIG Member Companies have reason to believe that Claims submitted to and paid by a Trust were fraudulent, i.e., were based on

intentionally false information that was material to the allowance of the Claims, such that the Trust was defrauded and has a right to recover back payments made on such Claims, AIG Member Companies may bring evidence of such fraud to the attention of the relevant Trustees and request that the Trustees review the evidence, and the Trustees will give due consideration to such evidence. If the Trustees agree that the evidence supports AIG Member Companies' claim that the Trust has been defrauded and/or warrants further investigation into possible fraud, concludes that it would be in the best interest of the Trust to undertake the effort and incur the expense required to pursue recovery and/or conduct such further investigation, and ultimately recovers back all or some of the amounts paid toward fraudulent Claims as to which AIG Member Companies made a payment, the Trustees will credit AIG Member Companies with 37.5% of the recovered amount and apply such credit toward AIG Member Companies' obligations to make payments under this Agreement without, however, reducing AIG Member Companies' overall obligation to pay the Settlement Amount, as provided in Section II(A), above. The cap for the next scheduled payment following the credit shall be increased by the amount of the credit.

C. Subject to the terms and conditions of this Agreement and the occurrence of the Trigger Date, the Settlement Amount is the total amount the AIG Member Companies are obligated to pay to the KACC Parties, the Trusts, or to any other Person on account of any and all Claims being released under the Agreement. Under no circumstance will any KACC Party seek to obligate any AIG Member Company to make any additional payment to any Person in connection with any Claim being released under the Agreement, including amounts allegedly owed to any of the KACC Parties for pre-petition amounts. The Parties shall treat all limits of liability of the Subject Policies, including all per occurrence and aggregate limits, as fully and properly exhausted as to Claims being released by this Agreement. The Settlement Amount is the full purchase price of the Subject Policies. Upon the Trigger Date, the KACC Parties shall be deemed to have sold to the AIG Member Companies, and the AIG Member Companies shall be deemed to own, the Subject Policies free and clear of all Interests of any Person. Upon the Trigger Date, the AIG Member Companies shall have no further obligation to the KACC Parties under the Subject Policies.

D. The proceeds of AIG Member Companies' payment in full of the Settlement Amount shall be used by the Funding Vehicle Trust and PI Asbestos and Silica Trusts to pay Asbestos Personal Injury Claims, Silica Personal Injury Claims and other expenses and obligations payable by the Funding Vehicle Trust

and such PI Trusts pursuant to the Plan and the PI Trust Distribution Procedures for the PI Trusts, as may be amended from time to time. Notwithstanding the foregoing, this Agreement does not obligate the Funding Vehicle Trust or PI Trusts to segregate or allocate the Settlement Amount in any way.

E. Time is of the essence with respect to the payment of the Settlement Amount. Except as provided otherwise herein, the payments made by AIG Member Companies pursuant hereto shall be made no later than the dates when due, without any set off, counterclaim, diminution or any other deduction; provided however, that if such applicable date is not a Business Day, then such payment shall be made on the next Business Day.

F. AIG Member Companies shall have the right to allocate the Settlement Amount, or any portions thereof, solely for its own purposes, in its own books and records, to the various types and classifications of claims under the Subject Policies released by the KACC Parties pursuant to Section III below, including the value of claims when actually paid by any of the PI Trusts; provided, however, that neither the KACC Parties, the Funding Vehicle Trust, nor the PI Trusts shall be bound by or be deemed to agree with any such allocation for any reason or purpose and that AIG Member Companies' allocation shall not, in any way, limit its obligation to pay the Settlement Amount in full when due or limit the Funding Vehicle Trust's or PI Trusts' use or allocation of the Settlement Amount.

G. The Parties recognize that there are current efforts to enact Asbestos Legislation. Such Asbestos Legislation, if any is enacted and becomes law, shall have the following effects on AIG Member Companies' payment obligations under Section II(A) of this Agreement; provided, however, that (i) all other terms and conditions of this Agreement shall be preserved, including the release provisions in Section III, and (ii) in no event shall AIG Member Companies' total payments, including those made prior to the enactment of Asbestos Legislation, exceed the Settlement Amount.

1. If Asbestos Legislation is enacted and becomes law prior to the last scheduled payment by AIG Member Companies that completes AIG Member Companies' obligations to make payments under this Agreement, and if such Asbestos Legislation eliminates the obligation of the Funding Vehicle Trust, the Asbestos PI Trust and Kaiser Aluminum to make payments to each and all individuals holding Asbestos Personal Injury Claims, then AIG Member Companies shall have no obligation to make any additional payments that were not yet due and owing under this Agreement at the time of enactment, except as provided in subsections (2) and (3), below. For the avoidance of doubt, AIG Member Companies shall have no right under this Agreement to recover any payments already

paid or due and owing as of the date of enactment, and if all AIG Member Companies payments are complete under this Agreement at the time such Asbestos Legislation is enacted, then this Section II(G) shall have no force and/or effect.

2. Even if AIG Member Companies' obligations to make payments on behalf of Asbestos Personal Injury Claims abates pursuant to this Section II(G), AIG Member Companies shall continue to make a payment each year to the Funding Vehicle Trust equivalent to 6% of the payment amount otherwise owing under Section II(A) on behalf of Silica Personal Injury Claims, unless the Asbestos Legislation also eliminates the obligation of the Silica PI Trust, the Funding Vehicle Trust and Kaiser Aluminum to pay on all Silica Personal Injury Claims.
3. If (i) Asbestos Legislation is enacted that affects AIG Member Companies' payment obligations under subsection (1) above, and (ii) after its enactment, that Asbestos Legislation ceases to be in force and effect (including through operation of a "sunset" provision or final declaration of its unconstitutionality generally or specifically as to the Asbestos PI Trust or the Silica PI Trust, as applicable), then AIG Member Companies' obligation to pay the remaining amount of the Settlement Amount shall be reinstated nunc pro tunc to the time of enactment, except to the extent that AIG Member Companies demonstrates to the Bankruptcy Court, and the Court finds, that the amount should be adjusted, taking into account (i) any applicable reduction in the Funding Vehicle Trust's, the Asbestos PI Trust's, the Silica PI Trust's and Kaiser's obligations, and (ii) any payments made by the AIG Parties in connection with the Asbestos Legislation that AIG Member Companies can demonstrate are fairly attributable to Claims against the Trusts or Kaiser Aluminum.

III. Releases

A. Releases By The KACC Parties

Except for the obligations imposed by this Agreement,

1. Effective on the Trigger Date, each of the KACC Parties (on behalf of themselves and their successors and assigns, in their capacities as such) and, upon its creation, the Funding Vehicle Trust, hereby release, remise, covenant not to sue and forever discharge the AIG Parties from and against:

- a. any and all Claims that the KACC Parties, or the Funding Vehicle Trust ever had, now have, or hereafter may have; and/or
- b. liabilities to any KACC Party or the Funding Vehicle Trust of the AIG Parties,

in either the case of (a) or (b) above,

- w. for, arising out of, or in connection with insurance coverage (including both defense costs and indemnification claims) under the Subject Policies; or
- x. arising out of or in connection with any act, omission, representation, or conduct of any sort in connection with any of the Subject Policies, the Products Action or the Premises Action.

- 2. Effective on the Trigger Date, each of the KACC Parties (on behalf of themselves and their successors and assigns, in their capacities as such) and, upon its creation, the Funding Vehicle Trust, hereby release, remise, covenant not to sue and forever discharge the AIG Parties from and against:

- a. any and all Tort Claims, as defined herein, that the KACC Parties or, the Funding Vehicle Trust ever had, now have, or hereafter may have; and/or
- b. liabilities to any KACC Party or the Funding Vehicle Trust resolved or channeled by the Plan of the AIG Parties,

in either the case of (a) or (b) above,

- w. for, arising out of, or in connection with insurance coverage (including both defense costs and indemnification claims) under the Subject Policies and/or the Other AIG Parties Policies; or
- x. arising out of or in connection with any act, omission, representation, or conduct of any sort in connection with any of the Subject Policies and/or the Other AIG Parties Policies, the Products Action or the Premises Action.

- 3. Effective on the Trigger Date, each of the KACC Parties and, upon their creation, the Funding Vehicle Trust, intend to reserve no rights

or benefits whatsoever under or in connection with the (i) Subject Policies, with respect to any past, present or future Claims; and (ii) the Other AIG Parties Policies with respect to any past, present or future Tort Claims. For the avoidance of doubt, upon the Trigger Date, the KACC Parties hereby sell the Subject Policies to AIG Member Companies, pursuant to 11 U.S.C. §§ 363(b) and 363(f), free and clear of all liens on, claims against, or interests in the Subject Policies, in accordance with the Approval Order, including its findings and notice requirements relating to this sale, attached hereto as Attachment A.

4. Effective on the Trigger Date, any and all rights, duties, responsibilities and obligations of AIG Member Companies created by or in connection with the Subject Policies are hereby terminated. Effective on the Trigger Date, the KACC Parties and, upon its creation, the Funding Vehicle Trust, have no insurance coverage from any of the AIG Parties: (i) under the Subject Policies with respect to any past, present or future Claims, or (ii) under the Other AIG Parties Policies, with respect to any past, present or future Tort Claims. The releases contained in this Agreement as between the KACC Parties, the Funding Vehicle Trust and the AIG Parties are intended to operate as though the Subject Policies were never issued. Nothing in this Section III(A)(4) is intended to affect any PI Insurance Company's rights and obligations under any insurance policy or settlement agreement other than the rights and obligations of the AIG Parties.
5. The Trusts shall include provisions to require, as a condition to receipt of any payment from the PI Trusts, that any Claimant who accepts payment from the PI Trusts shall execute a final and complete release and waiver of any and all Claims against the AIG Parties that is commensurate with the release provided to Kaiser Aluminum and the KACC Parties.
6. The Parties recognize and understand that Claims that have been or may be asserted against the Kaiser Parties and/or the PI Trusts may increase or decrease in amount or in severity over time, that Claims that have been or may be asserted against the Kaiser Parties and/or the PI Trusts may include progressive, cumulative, unknown, and/or unforeseen elements, and that there may be hidden, unknown, and unknowable damages, defense expenses, or other costs related to such Claims. Nevertheless, the Parties willingly enter into this Agreement, including the releases set forth in this Section III(A).

7. THE KACC PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN ADVISED BY THEIR ATTORNEYS CONCERNING, AND ARE FAMILIAR WITH, THE CALIFORNIA CIVIL CODE SECTION 1542 AND EXPRESSLY WAIVE ANY AND ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR," AND UNDER ANY OTHER FEDERAL OR STATE STATUTE OR LAW OF SIMILAR EFFECT.
8. The KACC Parties and, upon its creation, the Funding Vehicle Trust, expressly assume the risk that acts, omissions, matters, causes or things may have occurred that they do not know or do not suspect to exist.
9. Notwithstanding anything to the contrary in this Agreement, the release provisions of this Agreement do not apply to any rights, obligations, Claims, or liabilities:
 - a. with respect to any Entity, other than the AIG Parties, that insures or co-insures under, or subscribes to or provides any insurance, rights or benefits under, any Included PI Trust Insurance Policy; or
 - b. under or arising as a result of this Agreement. Nothing in this Agreement shall affect the KACC Parties' rights or ability to continue to pursue Claims against any Entity other than the AIG Parties.

B. Releases By The AIG Parties

Except for the obligations created by this Agreement,

1. Effective on the Trigger Date, each of the AIG Parties (on behalf of themselves and their successors and assigns, in their capacities as such) hereby release, remise, covenant not to sue and forever discharge the KACC Parties and, upon its creation, the Funding Vehicle Trust, from and against:

- a. any and all Claims that the AIG Parties had, now have, or hereafter may have; and/or
 - b. liabilities to the AIG Parties of any KACC Party,
- in either the case of (a) or (b) above,
- w. for, arising out of, or in connection with insurance coverage, including both defense costs and indemnification claims, under the Subject Policies; or
 - x. arising out of or in connection with any act, omission, representation, or conduct of any sort in connection with any of the Subject Policies, the Products Action or the Premises Action.
2. Effective on the Trigger Date, each of the AIG Parties (on behalf of themselves and their successors and assigns, in their capacities as such) hereby release, remise, covenant not to sue and forever discharge the KACC Parties and, upon its creation, the Funding Vehicle Trust, from and against:
- a. any and all Tort Claims, as defined herein; and/or
 - b. liabilities to the AIG Parties resolved or channeled by the Plan of any KACC Party,
- in either the case of (a) or (b) above,
- w. for, arising out of, or in connection with insurance coverage, including both defense costs and indemnification claims, under the Subject Policies and/or the Other AIG Parties Policies; or
 - x. arising out of or in connection with any act, omission, representation, or conduct of any sort in connection with any of the Subject Policies and/or the Other AIG Parties Policies, the Products Action or the Premises Action.
3. Except as set forth in Section V(A), effective on the Trigger Date, each of the AIG Parties intend to reserve no rights or benefits whatsoever under or in connection with the Subject Policies, with respect to any past, present or future Claims.

4. Effective upon the Trigger Date, any and all rights, duties, responsibilities and obligations of the KACC Parties or, upon its creation, the Funding Vehicle Trust, created by or in connection with the Subject Policies are hereby terminated. As of the Trigger Date, the AIG Parties have no rights with respect to the KACC Parties and, upon its creation, the Funding Vehicle Trust, from any of the AIG Parties: (i) under the Subject Policies with respect to any past, present or future Claims, or (ii) under the Other AIG Parties Policies, with respect to any past, present or future Tort Claims. The releases contained in this Agreement are intended to operate as though the Subject Policies were never issued. Nothing in this Section III(B)(4) shall affect the AIG Parties' right to seek reimbursement from their reinsurers or retrocessionaires in their capacities as such (but not including any KACC Party) or the AIG Parties' right to pursue a contribution, subrogation, indemnification or similar Claim against a third party in accordance with the provisions of Section V(A).
5. The Parties recognize and understand that Claims that have been or may be asserted against the Kaiser Parties and/or the PI Trusts may increase or decrease in amount or in severity over time, that Claims that have been or may be asserted against the Kaiser Parties and/or the PI Trusts may include progressive, cumulative, unknown, and/or unforeseen elements, and that there may be hidden, unknown, and unknowable damages, defense expenses, or other costs related to such Claims. Nevertheless, the Parties willingly enter into this Agreement, including the releases set forth in this Section III(B).
6. THE AIG PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN ADVISED BY THEIR ATTORNEYS CONCERNING, AND ARE FAMILIAR WITH, THE CALIFORNIA CIVIL CODE SECTION 1542 AND EXPRESSLY WAIVE ANY AND ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR," AND UNDER ANY OTHER FEDERAL OR STATE STATUTE OR LAW OF SIMILAR EFFECT.

7. The AIG Parties expressly assume the risk that acts, omissions, matters, causes or things may have occurred that they do not know or do not suspect to exist.
8. Notwithstanding anything to the contrary in this Agreement, the release provisions of this Agreement do not apply to any rights, obligations, Claims, or liabilities under or arising as a result of this Agreement.
9. Nothing in this Agreement shall constitute a release, waiver or assignment of any of the AIG Parties' rights against their reinsurers (except to the extent that AIG Parties would claim that a KACC Party is a reinsurer), which rights are expressly retained by the AIG Parties.

IV. Defense Of The PI Channeling Injunction

A. In the event that any Claim is brought against an AIG Party that is subject to any PI Channeling Injunction, the Funding Vehicle Trust will exercise its reasonable best efforts (at the expense of the Funding Vehicle Trust) to establish that such Claim is enjoined as to the AIG Parties by the PI Channeling Injunction. To that end, the Funding Vehicle Trust will, at its expense, defend the application of the PI Channeling Injunction as to any Claim asserted against the AIG Parties that is subject to the PI Channeling Injunction. For the avoidance of doubt, other than the obligation provided in this Section IV(A), the Funding Vehicle Trust has no obligation:

1. to defend any Claim against the AIG Parties with respect to any issue, including the application of any defense to insurance coverage or defense to any tort liability; or
2. to indemnify the AIG Parties for any Claims, whether for defense costs, expenses, judgments, settlements, or otherwise.

B. In the event that the Funding Vehicle Trust is precluded by an order of any court of competent jurisdiction from defending the application of any PI Channeling Injunction as to any Claim asserted against the AIG Parties that is subject to such PI Channeling Injunction, the Funding Vehicle Trust shall reimburse the AIG Parties for the reasonable costs they incur in defending the application of such PI Channeling Injunction; provided, however, that the Funding Vehicle Trust shall have no obligation to pay any internal costs of the AIG Parties (including costs associated with time or expenses of AIG Parties' employees). For the avoidance of doubt, other than the obligations

provided in Sections IV(A) and (B), the Funding Vehicle Trust has no obligation:

1. to defend any Claim against the AIG Parties with respect to any issue, including the application of any defense to insurance coverage or defense to any tort liability; or
2. to indemnify the AIG Parties for any Claims, whether for defense costs, expenses, judgments, settlements, or otherwise.

C. Within fifteen (15) Business Days of receipt of any demand, notice, summons or other process received by any of the AIG Parties in connection with any Claim that the AIG Parties believe is subject to a PI Channeling Injunction, the AIG Parties shall forward such demand, notice, summons or other process to the Funding Vehicle Trust. The Funding Vehicle Trust shall notify the AIG Parties in writing within fifteen (15) Business Days of receipt of notice of such Claim from the AIG Parties whether the Funding Vehicle Trust agrees that such Claim triggers the Funding Vehicle Trust's obligations pursuant to Section IV(A) hereto. In the event that there is a dispute whether a Claim triggers the Funding Vehicle Trust's obligations pursuant to Section IV(A) hereto, the Funding Vehicle Trust and the AIG Parties shall meet and confer to attempt to resolve any such dispute. If they are unable to resolve such dispute by meeting and conferring, they may litigate whether the Claim at issue triggers the Funding Vehicle Trust's obligations pursuant to Section IV(A) hereto before the Bankruptcy Court or, if the Bankruptcy Court refuses to exercise jurisdiction, before any court of competent jurisdiction. While such dispute remains unresolved, the AIG Parties have the right to defend the application of the PI Channeling Injunction as they deem appropriate. AIG Parties shall cooperate reasonably with the Funding Vehicle Trust with respect to the obligations provided in this Section IV.

V. Subrogation, Contribution and Indemnification Claims

A. The AIG Parties shall not seek reimbursement from any Entity of any payments AIG Parties are obligated to make under this Agreement, or any other payments AIG Parties has made to or for the benefit of any KACC Party under the Subject Policies and the Other AIG Parties Policies, whether by way of a Claim for contribution, subrogation, indemnification or otherwise, from anyone other than the AIG Parties' reinsurers or retrocessionaires in their capacity as such, provided that in no event shall the AIG Parties make any Claim for or relating to insurance, reinsurance or retrocession against any KACC Party. Notwithstanding the foregoing, if an Entity pursues a contribution, subrogation, indemnification or similar Claim against the AIG Parties relating to any of the Subject Policies or the Other AIG Parties Policies, then the AIG Parties shall be free to assert such a

Claim against such Entity. To the extent the AIG Parties recover any amount from such Entity, the net proceeds of such recovery (after any payment made by the AIG Parties to such Entity on its Claim and after the AIG Parties are reimbursed from such proceeds for their fees, costs, and expenses incurred in prosecuting or defending such Claims) shall be paid by the AIG Parties promptly after the Trigger Date to the Funding Vehicle Trust. For the avoidance of doubt, any payment made by the AIG Parties pursuant to this Section V(A) shall not reduce or count towards the AIG Parties' obligation to pay the Settlement Amount pursuant to this Agreement. The KACC Parties shall use reasonable best efforts to obtain agreements similar to those contained in this Section V(A) from all insurers with which they settle.

B. In the event that the Trigger Date occurs and

1. Kaiser Aluminum, the Reorganized KAC and/or the Funding Vehicle Trust become entitled to receive a payment from one or more of its insurers other than the AIG Parties for any Claims that have been remised, released, acquitted and forever discharged as to the AIG Parties pursuant to this Agreement, and
2. as a result of such other insurer's obligation to pay described in Section V(B)(1) above, such insurer either:
 - a. enters into a settlement with the AIG Parties, which settlement has been consented to by Kaiser Aluminum, the Reorganized KAC and/or the Funding Vehicle Trust (as applicable) (which consent shall not be unreasonably withheld), requiring the AIG Parties to reimburse some or all of the payment made or to be made by such insurer; or
 - b. obtains a final, non-appealable judicial or quasi-judicial determination or award entitling such insurer to obtain a sum certain from the AIG Parties for contribution, subrogation or indemnification, or other similar Claim, against the AIG Parties for their alleged share or equitable share, or to enforce subrogation rights, if any, relating to such payment referenced in Section V(B)(1) above,

Kaiser Aluminum, the Reorganized KAC and/or the Funding Vehicle Trust shall promptly reduce the amount of payment to be received by them (referenced in Section V(B)(1) above) by such amount to the extent necessary to reduce or eliminate such settlement, determination or award against the AIG Parties (referenced in Section V(B)(2) above). To ensure that such a reduction is accomplished, the AIG Parties shall be entitled to introduce this Agreement into

evidence and assert this Section V as a defense in any action against it for any such portion of the determination or award against the AIG Parties (referenced in Section V(B)(2) above) and shall be entitled to have the court or appropriate tribunal issue such orders as are necessary to effectuate the reduction to protect the AIG Parties from any liability for the determination or award.

VI. Dismissal as to Coverage Actions

A. After the Approval Order becomes a Final Order, Kaiser Aluminum shall promptly dismiss without prejudice any claims asserted against AIG Member Companies in the Premises and Product Actions. Such dismissals shall be accomplished by filing either (i) a request for dismissal without prejudice, or (ii) a motion for dismissal without prejudice, no later than 14 days after the Approval Order becomes a Final Order. Following the occurrence of the Trigger Date, such dismissal shall be deemed to be with prejudice. The KACC Parties and AIG Parties covenant not to sue each other as to any such claims that were dismissed without prejudice until the Trigger Date, at which time this covenant is superceded by the releases provided in Section III, or the date on which the Agreement is terminated and becomes null and void pursuant to Section VIII. For the avoidance of doubt, this Section VI(A) is not intended to impair, affect or modify the KACC Parties' rights to sue or prosecute claims as to any Entity other than the AIG Parties in the Products Action or Premises Action, or to enforce this Agreement.

B. Upon the occurrence of the Trigger Date, the KACC Parties shall dismiss with prejudice any claims asserted against AIG Member Companies in the Products Action and in the Premises Action.

C. The Parties shall bear their own costs, expenses, and counsel fees in the Products Action and the Premises Action. Nothing herein shall prevent the KACC Parties from recovering their costs, expenses and counsel fees in such actions from any Entity other than the AIG Parties.

VII. Bankruptcy Obligations

A. In consideration for the promises and covenants hereunder, Kaiser Aluminum shall designate the AIG Parties as Settling Insurance Companies in the schedule of Settling Insurance Companies filed by Kaiser Aluminum. The Parties agree that the designation: "AIG Parties, all as defined, and to the extent of the releases provided, in the Settlement Agreement and Mutual Release with AIG, if said Agreement is not terminated and rendered null and void pursuant to its terms" is an acceptable designation for the schedule.

B. Kaiser Aluminum shall file a motion pursuant to Federal Rule of Bankruptcy Procedure 9019 seeking entry of the Approval Order, and shall use

reasonable efforts to set the motion for hearing at the next available Omnibus Hearing with respect to which there are at least three (3) Business Days between the Execution Date and the last day to serve by mail notice that the motion will be heard at that hearing. The AIG Parties shall be given a reasonable opportunity to review and comment on any such motion before any such motion is filed. Kaiser shall serve by mail notice of the motion and the hearing thereon on each of those Persons identified at pages 2 and 3 of the Approval Order. In addition, to ensure the broadest notice possible, Kaiser shall publish notice of the motion and the hearing on two separate occasions in the national editions of The New York Times and USA Today. The mail and publication notice shall be in form and substance acceptable to the AIG Parties. AIG Parties shall supply the form of notice to be published and shall pay the costs of providing notice to Persons not identified in the 2002 Service List, including costs incurred in providing notice by publication in newspapers. The notice of the motion and publication notice shall be in form and substance acceptable to AIG Parties.

C. Promptly following the Execution Date, subject to Section VII(G) below, AIG Member Companies and the Debtors shall advise the Bankruptcy Court and the Superior Court in the Products and Premises Actions that the Parties have executed a settlement agreement requiring Bankruptcy Court approval. Promptly following the later of the Execution Date and the date on which the Approval Order becomes a Final Order, the AIG Parties shall:

1. withdraw any and all objections they have made to the Plan and/or to any findings or conclusions of law issued by or recommended by the Bankruptcy Court, and any and all motions, Claims, and any appeals or notices of appeal that they have filed or made in the Bankruptcy Proceeding, and,
2. not pursue any Claims against the Debtors.

Such withdrawals shall be without prejudice until the occurrence of the Trigger Date, at which time such withdrawals shall be deemed to be with prejudice. After the Execution Date, the AIG Parties shall not object to or oppose confirmation of the Plan and shall not appeal the Confirmation Order, unless this Agreement becomes null and void pursuant to its terms.

D. After the Execution Date, the KACC Parties shall use their reasonable best efforts to obtain entry of the Approval Order. AIG Member Companies shall support their efforts to obtain such approval; provided, however, that AIG Member Companies are not required to join in each factual assertion or legal argument propounded by the KACC Parties.

E. Conditioned upon the occurrence of the Trigger Date, the AIG Parties hereby consent as of the Plan Effective Date to the assignment of rights under this Agreement to the Funding Vehicle Trust, as necessary, pursuant to the Plan, automatically and without need of further action by any Party or Entity which shall have the right to enforce the terms of this Agreement, provided that this Agreement does not terminate pursuant to its terms.

F. Subject to Section VIII, no ruling, proceeding, or other matter in connection with the Plan or the Bankruptcy Proceeding will impair, affect or modify the Parties' rights or obligations under this Agreement, and the KACC Parties shall exercise reasonable best efforts to ensure that the Confirmation Order expressly will so affirm. For the avoidance of doubt, this Section VII(F) is not intended to impair, affect or modify the Parties' rights or obligations under this Agreement, including the Parties' rights under Section VIII of this Agreement.

G. Notwithstanding Section VII(C) hereto, the AIG Parties shall be entitled to assert any Claims in the Bankruptcy Proceeding that they may have that are not Claims released by this Agreement nor related to Claims released by this Agreement provided, however, that the KACC Parties shall have the right to assert any and all defenses to the allowance of any such Claims. Nothing in this Section VII(G) shall be construed to permit the AIG Parties to object to or oppose the confirmation of the Plan or appeal any order confirming the Plan.

VIII. Effectiveness Of Agreement

A. Subject to Section VIII(C), this Agreement shall automatically terminate and shall, without the need of any further action by the Parties or any court, become null and void as provided in Section VIII(D) hereto if any of the following occurs:

1. the Court or any other court of competent jurisdiction enters an order confirming a Chapter 11 plan of reorganization for Kaiser Aluminum or one or more of the other Debtors other than the Plan;
2. the Court or any other court of competent jurisdiction enters an order that provides that the AIG Parties are not Settling Insurance Companies or that narrows the scope of any PI Channeling Injunction or its application to the AIG Parties;
3. the Court or any other court of competent jurisdiction enters a Final Order denying approval of the Agreement;
4. the Court or a court of competent jurisdiction enters an order converting one or more of the Bankruptcy Proceedings of the

Debtors into Chapter 7 cases or dismissing one or more of the Bankruptcy Proceedings of the Debtors; or,

5. the Court or a court of competent jurisdiction enters an order appointing a trustee or examiner substantially possessing the rights, powers and duties of a trustee in one or more of the Bankruptcy Proceedings of the Debtors.

B. In the event that this Agreement is terminated or voided for any reason, including those listed in this Section VIII, the Parties agree that venue of any dispute over any issue that was, or could have been made, an issue in the Products Action and Premises Action shall be the San Francisco Superior Court. AIG Member Companies do hereby submit to the jurisdiction of said Court and will comply with all requirements necessary to give such court jurisdiction and venue.

C. Notwithstanding anything in this Section VIII to the contrary, in the event any of the events set forth in Section VIII(A) occurs, AIG Member Companies, at their sole option and upon notice to all other Parties, shall have the right to waive the requirements that this Agreement shall be terminated and shall become null and void in such event (in which case the Agreement shall continue in full force and effect and such conditions shall be deemed satisfied).

D. Notwithstanding anything in this Agreement to the contrary, in the event this Agreement terminates, is ineffective, and/or is null and void pursuant to Section VIII hereto:

1. the Agreement, other than Sections I, VIII, X(A-B), XI, XII, XIII, XVI, XVII, and XIX (which Sections shall remain in full force and effect), shall be vitiated and shall be a nullity and shall be void ab initio;
2. the Funding Vehicle Trust shall return to AIG Member Companies, with thirty (30) days prior written notice to the Funding Vehicle Trust and at the direction of AIG Member Companies, that portion of the Settlement Amount that AIG Member Companies have already paid ;
3. none of the Parties shall be bound by the terms of any Approval Order;
4. the AIG Parties shall not be designated as Settling Insurance Companies, and the AIG Parties shall neither seek nor receive any benefit or protection of a Settling Insurance Company pursuant to this Agreement;

5. the Parties shall have the rights, defenses, claims and obligations under or with respect to the Subject Policies and the Other AIG Parties Policies that they would have had absent this Agreement, including, without limitation, any rights, claims and defenses raised in connection with the Products Action,
6. the releases provided in Section III shall become null and void ab initio;
7. the AIG Parties shall be free to pursue such objections as they are entitled to make to the Plan and to take such appeals from the Confirmation Order as they are entitled to take; and
8. any otherwise applicable statutes of limitations or repose, or other time-related limitations, shall be deemed to have been tolled for the period from the Execution Date through the date that the Agreement becomes null and void, and no Party shall assert, plead, raise or otherwise rely on or take advantage, whether actively or passively, of any time-related defense to any Claim by any other Party related to such period and if any Party breaches this obligation, it shall be deemed to have created a new cause of action against it at the time of such breach for which it shall be liable in damages equal to the amount of damages it avoided by reason of the breach. This covenant shall be deemed to last for the maximum time period allowed by applicable law as provided in Section XIV.

E. In the event that a Party asserts that any action or refusal to take action that is required by this Agreement is wrongfully taken or not taken by a Party, the Party so asserting may not claim that the Agreement is terminated, but must pursue such rights as it has to enforce the Agreement against the Party asserted to have been in breach; provided, however, the obligations of the KACC Parties, on the one hand, and the Funding Vehicle Trust and the PI Trusts, on the other hand, are several, and not joint, and neither the KACC Parties nor the Funding Vehicle Trust and the PI Trusts shall be liable for any action or refusal to act or other breach of the Agreement by the other.

IX. Reasonably Equivalent Value

The Parties acknowledge and agree that:

- A. This Agreement was bargained for and entered into in good faith and as the result of arms'-length negotiations.

B. Based on their respective independent assessments, with the assistance and advice of counsel, of the Products Action and Premises Action, the Bankruptcy Proceeding, and other matters, the consideration exchanged by the Parties pursuant to this Agreement (including the payments from AIG Member Companies, the mutual releases, the designations of the AIG Parties as Settling Insurance Companies, and the other benefits exchanged by the Parties) constitute a fair and reasonable settlement of the Parties' disputes and of their respective rights and obligations relating to the Subject Policies and the Other AIG Parties Policies and constitute reasonably equivalent value.

C. The Parties expressly agree that the AIG Member Companies are not acting as volunteers in paying the Settlement Amount (or any portion thereof) and that the AIG Member Companies' payment of the Settlement Amount (or any portion thereof) reflects liabilities and obligations to the KACC Parties for amounts one or more of them are obligated to pay on account of one or more categories of Tort Claims.

X. Confidentiality

A. Settlement negotiations leading up to this Agreement and all related discussions and negotiations are confidential and shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any parallel state law provisions.

B. In the event that a private litigant (other than a Party to this Agreement, the Reorganized Debtor, the Funding Vehicle Trust, or any PI Trust), by way of document request, interrogatory, subpoena, or questioning at deposition or trial, attempts to compel disclosure of anything protected by this Section X, the Party from whom disclosure is sought shall decline to provide the requested information on the ground that this Agreement prevents such disclosure. In the event that such private litigant seeks an order from any court or governmental body to compel such disclosure, or in the event that a court, government official, or governmental body (other than the Inland Revenue, Internal Revenue Service, Securities and Exchange Commission or Financial Services Authority) requests or requires disclosure of anything protected by this Section X, the Party from whom disclosure is sought promptly shall give written notice by facsimile or hand-delivery to the other Party, and promptly shall provide copies of all notice papers, orders, requests or other documents in order to allow each Party to take such protective steps as may be appropriate. All costs incurred by a Party in accordance with this provision shall be the sole responsibility of the Party incurring such costs.

XI. Non-Prejudice and Construction of Agreement

A. This Agreement is not a contract of insurance. This Agreement is not subject to rules or construction governing contracts of insurance, including the doctrine of contra proferentum. This Agreement is a compromise between the Parties and shall not be construed as an admission of coverage under the Subject Policies or the Other AIG Parties Policies, nor shall this Agreement or any provision hereof be construed as a waiver, modification or retraction of the positions of the Parties with respect to the interpretation and application of the Subject Policies or the Other AIG Parties Policies.

B. This Agreement is the product of informed negotiations and involves compromises of the Parties' previously stated legal positions. Accordingly, this Agreement does not reflect upon the Parties' views as to rights and obligations with respect to matters or Entities outside the scope of this Agreement. This Agreement is without prejudice to positions taken by the AIG Parties with regard to other insureds, and without prejudice to positions taken by the KACC Parties with regard to other insurers.

C. This Agreement is the jointly drafted product of arms'-length negotiations between the Parties with the benefit of advice from counsel, and the Parties agree that it shall be so construed. As such, no Party will claim that any ambiguity in this agreement shall, as a matter of law, be construed against the other Party. The negotiation, execution and performance of this Agreement shall not be deemed to be or cited as an act of bad faith or a violation of any statute, regulation, contract or duty owed by any Party to any other Party.

XII. Modification

Except as expressly provided herein, no change or modification of this Agreement shall be valid unless it is made in writing and signed by the Parties. In the event that any Party is dissolved or otherwise ceases to exist, the remaining Parties may modify this Agreement without that Party's consent. After the Plan Effective Date, any change or modification of this Agreement will require the consent of the Funding Vehicle Trust.

XIII. Integration

A. This Agreement, including its Attachments, constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof, and supersedes all discussions, agreements and understandings, both written and oral, among the Parties with respect hereto. Except as expressly set forth in this Agreement, there are no representations, warranties, promises or inducements, whether oral, written, expressed or implied, that in any way affect or condition the validity of this Agreement or alter its terms. If the facts or law related to the

subject matter of this Agreement are found hereafter to be other than is now believed by any of the Parties, the Parties expressly accept and assume the risk of such possible difference of fact or law and agree that this Agreement nonetheless shall be and remain effective according to its terms. This Agreement shall have perpetual existence except as provided herein.

B. Titles and captions contained in this Agreement are inserted only as a matter of convenience and are for reference purposes only. Such titles and captions are intended in no way to define, limit, expand, or describe the scope of this Agreement or the intent of any provision hereof.

XIV. Governing Law

This Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of California without regard to its choice of law rules. Nothing in this Section XIV shall affect what law would govern the interpretation or application of the Subject Policies or the Other AIG Parties Policies.

XV. Right of Review

The Funding Vehicle Trust shall cause each of the Asbestos and Silica PI Trusts to cooperate, at the sole expense of AIG Member Companies, in AIG Member Companies' reasonable requests for information as follows: AIG Member Companies shall have the right, at their own expense, upon reasonable request and notice, at a time and place convenient to the responding PI Trust, to review and/or audit any Claims or payments funded in whole or in part by the proceeds of this Agreement. Neither the Funding Vehicle Trust nor any PI Trust nor any PI Trustee shall have any obligation to create any new documents or to collect any information in connection with any such review beyond those ordinarily created or maintained by the Funding Vehicle Trust or PI Trust, as applicable, and the AIG Parties shall not be permitted to challenge the allowance or payment of the Claims by the Funding Vehicle Trust or PI Trusts, as applicable, or any administrative payments or costs of the Funding Vehicle Trust or PI Trusts, as applicable. Except as specifically set forth in Section II(B), this Section XV, and any results of such a review and/or audit contemplated hereunder, shall not affect the AIG Parties' payment obligations under this Agreement. AIG Member Companies shall not provide any results of such review and/or audit to any other Entity and shall keep any and all such results confidential, except that AIG Member Companies may provide such results to any of their auditors, tax consultants, regulators, or reinsurers for the purpose of obtaining reinsurance for any portion of the Settlement Amount, or complying with applicable regulations, provided that AIG Member Companies shall inform such parties that the review and/or audit results and information contained therein are confidential, and use reasonable efforts to obtain a commitment from such parties to maintain the

confidentiality of the information. AIG Member Companies may provide such information to any others with the prior written consent of the Funding Vehicle Trust.

XVI. Representations

Each Party represents and warrants that it has authority to execute this Agreement as its binding and legal obligation (subject, however, in the case of the Debtors, to the requirement that the Approval Order be entered and be a Final Order). Each Party represents and warrants that the persons signing this Agreement on its or their behalf is authorized to execute this Agreement (subject, however, in the case of the Debtors to the requirement that the Approval Order be entered and be a Final Order).

XVII. Execution

This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. Each counterpart may be delivered by facsimile transmission or by e-mailing a scanned version, and a faxed or scanned signature shall have the same force and effect as an original signature.

XVIII. Cooperation

Each Party agrees to take such steps and to execute such documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Agreement and to preserve its validity and enforceability. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any Person not a Party hereto to invalidate, interpret, or prevent the validation, enforcement, or carrying out of all or any of the provisions of this Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate fully in opposing such action or proceeding.

XIX. Notices

Unless another person is designated, in writing, for receipt of notices hereunder, any and all statements, communications, or notices to be provided pursuant to this Agreement shall be in writing and sent by next-Business-Day courier service, with receipt or tracking number requested, postage prepaid (except as otherwise specified in this Agreement). Such notices shall be sent to the following:

If to Kaiser Aluminum:

John M. Donnan, Esq.
Vice President, Secretary and General
Counsel
Kaiser Aluminum Corporation
27422 Portola Parkway, Ste. 350
Foothill Ranch, California 92610-2831

Fax: 949-614-1930

With a copy to:

Gregory M. Gordon, Esq.
Jones Day
2727 North Harwood
Dallas, Texas 75201
Fax: 214-969-5100

--and--

Lawrence A. Hobel, Esq.
Heller Ehrman LLP
333 Bush Street, Suite 3000
San Francisco, California 94104-2878
Fax: 415-772-6268

If to the AIG Parties:

Steven Parness
Manager
101 Hudson Street, 29th Floor
Jersey City, New Jersey 07302
Fax: 201-631-5005

With a copy to:

R. Jeff Carlisle Esq.
Lynberg & Watkins
International Tower Plaza
888 South Figueroa Street
Los Angeles, California 90017-5465

With a copy to:

Donald L. Uttrich, Esq.
Jackson & Campbell
One Lafayette Center
300 South Tower
1120-20th Street, N.W.
Washington, D.C. 20036

The Funding Vehicle Trust shall notify the parties pursuant to this provision as to how it is to be notified pursuant to this Settlement Agreement.

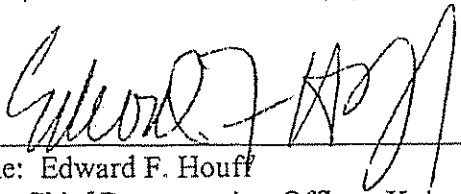
XX. Continuing Court Jurisdiction

The Bankruptcy Court shall retain exclusive jurisdiction over any dispute relating to this Agreement. If the Bankruptcy Court refuses to exercise jurisdiction over any such dispute, the Parties may submit such dispute to any court of competent jurisdiction.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives.

KAISER ALUMINUM & CHEMICAL CORPORATION, on behalf of the KACC Parties, as defined in Section I(U) hereto.

By: 
Name: Edward F. Houff
Title: Chief Restructuring Officer, Kaiser Aluminum
Date: April 10, 2006

AIG Domestic Claims, Inc., on behalf of the AIG Parties, as defined in Section I(E) hereto.

By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives.

KAISER ALUMINUM & CHEMICAL
CORPORATION, on behalf of the KACC
Parties, as defined in Section I(U) hereto.

By: _____
Name: Edward F. Houff
Title: Chief Restructuring Officer, Kaiser
Aluminum
Date:

AIG Domestic Claims, Inc., on behalf of the
AIG Parties, as defined in Section I(E) hereto.

By: h k p
Name: STEVEN K. PARNES
Title: MANAGER, AIG DOMESTIC CLAIMS, INC.
Date: April 10, 2006