

**PARTICIPATION AGREEMENT
FOR THE CLEAN STREAMS FOUNDATION, INC. TRUST**

This Participation Agreement ("Agreement") is entered into this 14th day of JUNE, 2006 by and between Kaiser Aluminum & Chemical Corporation, a Delaware corporation with its principal place of business at 27422 Portola Parkway, Suite 350, Foothill Ranch, California 92610-2831 ("Participant"), and The Clean Streams Foundation, Inc., a Pennsylvania nonprofit corporation with its registered place of business at 160 North McKean Street, Kittanning, Pennsylvania 16201 ("Trustee" or "CSF"). Participant and CSF shall be collectively referred to herein as the "Parties."

WHEREAS, Participant is the owner of certain real property in Stewart Township, Fayette County, Pennsylvania which includes a surface reclaimed noncoal surface mine known as the Potato Ridge Mine that is more particularly described in the Postmining Treatment Trust Consent Order and Agreement ("Postmining Treatment Trust COA") between the Participant and the Commonwealth of Pennsylvania, Department of Environmental Protection ("Department"), attached hereto as Exhibit A ("Potato Ridge Mine Land").

WHEREAS, Participant is the owner of all equipment relating to the operation of the postmining seeps collection and treatment system that currently exists at the Potato Ridge Mine that is more particularly described in the attached Postmining Treatment Trust COA ("Existing Potato Ridge Mine Treatment System").

WHEREAS, Participant operated the Potato Ridge Mine from approximately 1959 until approximately 1980. Upon termination of mining operations, Participant reclaimed the surface of the Potato Ridge Mine and continued to operate the Existing Potato Ridge Mine Treatment System. Treated effluent from the Existing Potato Ridge Mine Treatment System is discharged

) to Laurel Run. Treatment of the Potato Ridge Mine postmining seeps is expected to continue indefinitely.

WHEREAS, Laurel Run is also affected by postmining discharges from other sources including another surface reclaimed noncoal surface mine known as the Smith Mine that was operated by Harbison-Walker Refractories Company ("Harbison-Walker") between 1954 and 1972. The Smith Mine is located downstream of the Potato Ridge Mine on property owned by the Commonwealth of Pennsylvania ("Commonwealth") within Ohiopyle State Park ("Smith Mine Land"), a park that is operated by the Commonwealth of Pennsylvania Department of Conservation and Natural Resources ("PaDCNR").

) WHEREAS, pursuant to the Consent Decree among Harbison-Walker, PaDCNR, and the Department that was entered by the Pennsylvania Commonwealth Court on March 11, 1997, in *Dresser Industries, Inc. v. Commonwealth of Pennsylvania Department of Environmental Resources and Commonwealth of Pennsylvania Department of Conservation and Natural Resources*, No. 219 M.D. 1991, consolidated with Nos. 1419 C.D. 1996 and 1550 C.D. 1996 ("Smith Mine Consent Decree"), PaDCNR undertook certain obligations with respect to the collection and treatment of certain seeps emanating from the Smith Mine Land.

) WHEREAS, the seeps emanate from the Smith Mine Land primarily in three groups, designated as the "A Seeps," "B Seeps," and "C Seeps." The A Seeps and C Seeps are collected and treated by the "A/C Seep System," and the B Seeps are collected and treated by the "B Seep System," which systems were constructed by Streams Restoration, Inc. through a grant awarded by the Department. The treated seepage from the A/C Seep System and B Seep System discharge to Laurel Run at points downstream of the Potato Ridge Mine. The need to treat seepage emanating from the Smith Mine Land is expected to continue indefinitely.

WHEREAS, both the existing Potato Ridge Mine Treatment System and the A/C Seep System must be upgraded to improve the water quality of Laurel Run.

WHEREAS, Participant, PaDCNR, and the Department have determined that the most cost effective method for managing the continuing postmining discharges to Laurel Run from the Potato Ridge Mine and the A/C Seeps from the Smith Mine is to construct the "Combined Treatment System" described more particularly in the attached Postmining Treatment Trust COA.

WHEREAS, on February 12, 2002, Participant, its parent, Kaiser Aluminum Corporation ("Kaiser") and certain direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1330, in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Since then, other Kaiser companies also filed for bankruptcy. The Chapter 11 cases of all of the Kaiser debtors ("Debtors") have been consolidated for procedural purposes and are being administered jointly, in a matter styled *In re Kaiser Aluminum Corporation, et al.*, Case No. 02-10429 (JKF). Participant is continuing in possession of its property and is operating and managing its business, as a debtor in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

WHEREAS, CSF as Trustee has established through a Declaration of Trust, dated April 7, 2001, and attached hereto as Exhibit B, a master trust the purpose of which is to help assure that funds are available to the Commonwealth in the future to operate and maintain treatment systems, to prevent pollution, and to protect natural resources from the adverse impacts of untreated discharges into waters of the Commonwealth (the "Master Trust").

WHEREAS, Participant wishes to provide funds, and other real and personal property assets associated with Potato Ridge Mine Land and the Existing Potato Ridge Mine Treatment

System into a certain trust sub-account created within the CSF Master Trust, to be known as the Ohiopyle Mines Treatment Systems Trust Account ("Ohiopyle Trust Account") to assure that funds will be available in the future for the operation of the Existing Potato Ridge Mine Treatment System pending the completion of the construction of the Combined Treatment System and for Participant's share of the cost of constructing, operating, and maintaining the Combined Treatment System as specified in the attached Postmining Treatment Trust COA.

WHEREAS, CSF as Trustee has agreed and is willing to accept the Participant's funds, and other real and personal property assets, and perform the duties as are required to be performed pursuant to this Agreement and the Declaration of Trust.

WHEREAS, CSF as Trustee has agreed and is willing to accept funds and real and personal property assets from PaDCNR pursuant to a separate participation agreement and the Declaration of Trust, which funds shall be added to the Ohiopyle Trust Account, to assure that funds and other property will be available in the future for PaDCNR's share of the cost of constructing, operating, and maintaining the Combined Treatment System.

NOW THEREFORE, in consideration of the foregoing and of the mutual promises and undertakings of the Parties as set forth herein, and with the intention of being legally bound hereby, the Parties agree as follows:

ARTICLE ONE **DEFINITIONS**

§1.1 Unless otherwise defined herein, the capitalized terms in this Agreement shall have the definitions set forth in the Declaration of Trust.

§1.2 "**Closing Date**" means the eleventh (11th) day after the entry of a final order of the Bankruptcy Court authorizing Participant to enter into an agreement substantially in the form

of this Agreement unless the said final order is the subject of an appeal for which a stay of the Court's order has been entered; or such subsequent date as is mutually acceptable to the Parties.

§1.3 "**Ohiopyle Trust Account**" means the trust sub-account identified as the Ohiopyle Mines Treatment Systems Trust Account established under the Master Trust pursuant to this Agreement.

§1.4 "**Department**" means the Commonwealth of Pennsylvania Department of Environmental Protection, and its successor if any, which is the government agency with responsibilities related to the administration of the water pollution control and mining reclamation programs in Pennsylvania.

§1.5 "**Operate**" means, but is not limited to, the operation, maintenance, improvement, and replacement of the Treatment Systems.

§1.6 "**Participant**" means Kaiser Aluminum & Chemical Corporation.

§1.7 "**Treatment Systems**" means the Existing Potato Ridge Mine Treatment System and the Combined Treatment System, which are more particularly described in the attached Postmining Treatment Trust COA for which Participant has provided funds and other real and personal property assets to be held in trust by CSF as an alternate financial assurance mechanism which provides for the sound future treatment of discharges for the public purpose of protecting the environment and the health and welfare of the public.

§1.8 "**Trustee**" means CSF acting as trustee under the terms and provisions of this Agreement and the Declaration of Trust.

ARTICLE TWO **PARTICIPATION IN THE TRUST**

§2.1 The Participant agrees to provide certain funds and certain real and personal property assets, as specified in the attached Postmining Treatment Trust COA, to be held in trust

) by the Trustee as an alternate financial assurance mechanism for purposes of assuring that funds are available in the future for the operation and maintenance of the Existing Potato Ridge Mine Treatment System pending the completion of construction of the Combined Treatment System and the Participant's share of the cost of the construction and operation of the Combined Treatment System, for the prevention or abatement of pollution, and for the protection of natural resources; which Treatment Systems are more particularly described in the attached Postmining Treatment Trust COA between the Participant and the Department.

§2.2 CSF agrees to establish within the Master Trust a trust sub-account designated as the "Ohiopyle Mines Treatment Systems Trust Account," which trust sub-account shall be an irrevocable trust.

) §2.3 On the Closing Date, Participant shall make to CSF, as trustee of the Ohiopyle Trust Account, the payments and transfers of real and personal property assets specified in the attached Postmining Treatment Trust COA.

§2.4 The payments made by or on behalf of the Participant to the Trustee for deposit into the Ohiopyle Trust Account on the Closing Date shall consist of cash, bank checks, bank wire transfers, or negotiable instruments. The Trustee shall have no responsibility for the amount or adequacy of such payment, but the Trustee shall notify the Department in writing of any deficiency in the payment agreed to be made by the Participant if the Trustee has knowledge of such deficiency.

ARTICLE THREE
ADMINISTRATION

§3.1 The principal of the Ohiopyle Trust Account shall consist of:

(a) The deposits of cash and transfer of real and personal property assets to CSF as Trustee of the Ohiopyle Trust Account made by Participant pursuant to the Postmining Treatment Trust COA and this Agreement.

(b) Cash, funds or property transferred from any person, other than the Participant, including the PaDCNR, to the Trustee and accepted by the Trustee for the Ohiopyle Trust Account.

(c) All investments, reinvestments, assets or proceeds attributable to or derived from the items in section 3.1(a) and (b).

(d) All earnings, accretions and profits received with respect to the items in Section 3.1(a), (b) and (c).

§3.2 CSF as Trustee shall hold and administer the funds of the Ohiopyle Trust Account in accordance with the terms and conditions of the Declaration of Trust.

§3.3 CSF as Trustee shall distribute such amounts from the Ohiopyle Trust Account as the Department shall direct to pay for constructing, operating and maintaining the Treatment Systems. This amount shall be paid by the CSF, which shall be responsible for paying the costs of constructing, operating and maintaining the Treatment Systems in accordance with any instructions that may be issued by the Department in relation thereto.

§3.4 Participant understands that the Master Trust is intended to be categorized, for federal and state income tax purposes, as a charitable trust in accordance with and under the

) provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and any implementing regulation cited therein or any corresponding successor provision.

§3.5 Participant hereby adopts the Declaration of Trust as the document which governs the administration of this Agreement and the Ohiopyle Trust Account and directs CSF as Trustee to hold and administer the Ohiopyle Trust Account in accordance with the terms and conditions of the Declaration of Trust. Participant acknowledges that the Commonwealth acting through the Department is the legal beneficiary of the Master Trust and has all rights of a beneficiary under the law, as well as the rights granted under the Declaration of Trust. The Department shall have access to the Master Trust as provided therein.

) §3.6 The funds in the Ohiopyle Trust Account and any other property held by CSF as Trustee pursuant to this Agreement shall not be subject to assignment, alienation, pledge, attachment, garnishment, sequestration, levy or other legal process, either voluntary, involuntary or by operation of law, by, on behalf of, or in respect of Participant and shall not be subject or applied to the debts, obligations or liabilities of Participant, including, without limitation, any direct action or seizure by any creditor or claimant under any writ or proceeding at law or in equity. Furthermore, Participant shall have no legal title to any part of the Master Trust and it is the intention of the Parties to this Agreement that Participant's entry into the Ohiopyle Trust Account shall extinguish and remove all of Participant's interest in the Ohiopyle Trust Account from Participant's estate under the Bankruptcy Code or similar laws.

) §3.7 Except as otherwise provided in this Agreement, all payments made to CSF or deposits into the Ohiopyle Trust Account by Participant shall be irrevocable once made, and upon delivery thereof by Participant, all interest of Participant therein shall cease and terminate,

) and no part thereof, nor any income therefrom, shall be used for or devoted to purposes other than for the exclusive benefit of the Department and the Master Trust as provided herein.

§3.8 CSF shall at least quarterly furnish the Department a statement providing an accounting of all transactions involving the Ohiopyle Trust Account and confirming the value of the Ohiopyle Trust Account. Such statement shall value the Ohiopyle Trust Account investments at market value which shall be that market value determined not more than thirty (30) days prior to the date of statement.

§3.9 CSF shall be responsible for the keeping of all appropriate books and records relating to the receipt and disbursement of all moneys and assets under this Agreement. CSF shall also cause to be prepared all income tax or information returns required to be filed with respect to the Master Trust and shall execute and file such returns.

ARTICLE FOUR **AMENDMENTS**

) §4.1 This Agreement may be amended by a written instrument executed by Participant and the Trustee with the consent and acknowledgment of the Department, or by the Trustee and the Department provided that any amendment under this paragraph shall not in any manner affect Participant or the irrevocable nature of the Ohiopyle Trust Account.

ARTICLE FIVE **NOTICES**

) §5.1 All notices, inquiries, directions or other written communications made or given pursuant to this Agreement shall be given to the Department and CSF by certified mail, return receipt requested, addressed to the following addresses, and shall be deemed to be received upon the earlier of the date of signed receipt of the certified mailing or seven (7) days following the date of mailing:

Participant: Kaiser Aluminum & Chemical Corporation
c/o John Barneson, Senior Vice President and
Chief Administrative Officer
27422 Portola Parkway, Suite 350
Foothill Ranch, California 92610-2831
Phone: 949-614-1758
Facsimile: 949-614-1930

CSF: The Clean Streams Foundation, Inc.
c/o Dean K. Hunt, Esq.
520 West Short Street
Lexington, Kentucky 40507-1252
Phone: 859-252-3476
Facsimile: 859-252-4167

Beneficiary: Pennsylvania Department of Environmental Protection
c/o Joel Q. Pontorero or successor
Manager, Greensburg District Mining Office
Armbrust Professional Building
8205 Route 819
Greensburg, PA 15601
Phone: 724-925-5500
Facsimile: 724-925-5557

§5.2 Any change in the above addresses shall be made by giving notice to the Parties to this Agreement.

ARTICLE SIX **DISPUTES**

§6.1 In the event of any dispute between the Parties, the Parties agree to attempt to resolve the dispute through negotiation or a method of alternative dispute resolution. No litigation shall be commenced without a certification by an authorized officer, employee, or agent of any Party that the dispute cannot be resolved by negotiation or alternative dispute resolution provided in writing at least 20 days before commencing legal action.

§6.2 A Party receiving such notice shall have 10 days after receipt of said notice to demand that said dispute be resolved by binding arbitration. If arbitration is requested, the

) dispute shall be resolved in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect without regard to the date of execution of this Agreement.

ARTICLE SEVEN
CONSTRUCTION

§7.1 As used in this Agreement, words in the singular include the plural and words in the plural include the singular. Words used in this Agreement shall be given the meaning set forth in the Declaration of Trust or this Agreement, or in the absence of a definition therein, their plain and ordinary meaning, except that words used in a financial or investment context that are terms of art shall be given their commonly accepted meaning when used in the context of financial services and investment practices.

§7.2 The headings of each section of this Agreement are for descriptive purposes only and shall not affect the interpretation or legal efficacy of this Agreement.

) §7.3 Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability. Such prohibition or unenforceability shall not invalidate the remaining provisions hereof; nor shall such prohibition or unenforceability in a jurisdiction render any provision invalid or unenforceable in any other jurisdiction.

§7.4 This Agreement, including the Exhibits hereto, shall constitute the entire integrated agreement of the Parties with respect to the activities and obligations contemplated herein. No prior or contemporaneous communications or prior drafts shall be relevant or admissible for purposes of determining the meaning or extent of any provisions herein in any litigation or any other proceeding.

) §7.5 All covenants and agreements contained herein shall be binding upon and inure to the benefit of Participant, the Department, and the Trustee, as well as their successors and

) assigns. Similarly, any request, notice, direction, consent, waiver or other writing or action taken by the Participant, Department or the Trustee shall bind their successors and assigns.

§7.6 This Agreement shall be construed and governed in all respects in accordance with the laws of the Commonwealth of Pennsylvania.

ARTICLE EIGHT
GENERAL PROVISIONS

§8.1 The Parties agree to execute this Agreement by counterpart signatures transmitted electronically or by facsimile.

§8.2 The Parties shall bear their respective attorney fees, expenses and other costs in the prosecution or defense of this matter or any related matters, arising prior to the execution of this Agreement.

) IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective officers or representatives duly authorized and their corporate seals to be hereunto affixed and attested as of the date first written above.

KAISER ALUMINUM & CHEMICAL CORPORATION

By Jon B

Name JOHN BARNESON

Its SUP & CHIEF ADMINISTRATIVE OFFICER

THE CLEAN STREAMS FOUNDATION, INC.

By _____

Name _____

Its _____

) assigns. Similarly, any request, notice, direction, consent, waiver or other writing or action taken by the Participant, Department or the Trustee shall bind their successors and assigns.

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KAISER ALUMINUM & CHEMICAL CORPORATION

By _____

Name _____

Its _____

THE CLEAN STREAMS FOUNDATION, INC.

By  _____

Name Wayne Masterman

Its Chairman

STATE OF CALIFORNIA

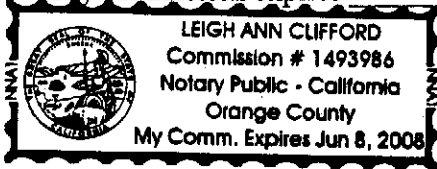
COUNTY OF ORANGE, to-wit:

The foregoing instrument was acknowledged before me this 14th day of

JUNE, 2006, by JOHN BARNESON, the

SVP + CHIEF ADMINISTRATIVE OFFICER of the KAISER ALUMINUM & CHEMICAL CORPORATION.

My commission expires JUNE 8, 2008



Leigh Ann Clifford
Notary Public

STATE OF _____

COUNTY OF _____, to-wit:

The foregoing instrument was acknowledged before me this _____ day of

_____, 2006, by _____, the

_____ of THE CLEAN STREAMS FOUNDATION, INC.

My commission expires _____

Notary Public

STATE OF _____

COUNTY OF _____, to-wit:

The foregoing instrument was acknowledged before me this _____ day of _____, 2006, by _____, the _____ of the KAISER ALUMINUM & CHEMICAL CORPORATION.

My commission expires _____

Notary Public

STATE OF Kentucky

COUNTY OF Fayette, to-wit:

The foregoing instrument was acknowledged before me this 19th day of June, 2006, by Wayne Masterson, the Chairman of THE CLEAN STREAMS FOUNDATION, INC.

My commission expires

July 10, 2006
Barbara L. Hatch
Notary Public

CONSENT AND ACKNOWLEDGMENT

The Department of Environmental Protection ("Department") hereby consents to Kaiser Aluminum & Chemical Corporation ("KACC") entering into this Participation Agreement pursuant to the Postmining Treatment Trust Consent Order and Agreement between KACC and the Department dated 6/29/2006 and acknowledges the Commonwealth of Pennsylvania's and the Department's status as the beneficiary of the Ohioyle Trust Account and to evidence its consent and acknowledgment of the terms and conditions set forth herein, as well as the powers and authorities granted to the Department hereunder.

BENEFICIARY:

THE DEPARTMENT OF ENVIRONMENTAL PROTECTION
COMMONWEALTH OF PENNSYLVANIA

By Jim R. Bontem 6/29/06
Its DISTRICT MINING MANAGER