

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: KAISER ALUMINUM CORPORATION, a Delaware corporation, <u>et al.</u>, Debtors.	: : : : : : :	Jointly Administered Case No. 02-10429 (JKF) Chapter 11 Re: Docket No. 7312; Agenda Item No. 1 Hearing Date: 01/09/06 @ 9:00 a.m.
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**FINDINGS OF FACT AND CONCLUSIONS OF LAW REGARDING CONFIRMATION
OF THE SECOND AMENDED JOINT PLAN OF REORGANIZATION OF KAISER
ALUMINUM CORPORATION, KAISER ALUMINUM & CHEMICAL CORPORATION
AND CERTAIN OF THEIR DEBTOR AFFILIATES, AS MODIFIED**

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stated in Article VI of the Plan; (h) the cancellation of the Senior Note Indentures and the discharge of obligations thereunder, subject to certain rights of the Indenture Trustees that will remain in effect, as detailed in **Section 4.12 of the Plan; and (i) the substantive consolidation** of KAC, KACC, Akron Holding Corporation, Kaiser Aluminum & Chemical Investment, Inc., Kaiser Aluminium International, Inc., Kaiser Aluminum Properties, Inc., Kaiser Aluminum Technical Services, Inc., Bellwood, Kaiser Micromill Holdings, LLC, Kaiser Texas Micromill Holdings, LLC, Kaiser Sierra Micromills, LLC, Kaiser Texas Sierra Micromills, LLC, Oxnard Forge Die Company, Inc., Alwis Leasing LLC, Kaiser Center, Inc., Kaiser Trading, Kaiser Center Properties and Kaiser Export Company, as provided in Sections 1.1(195), 9.1 and 9.2 of the Plan. (Plan art. VI, §§ 4.1, 4.2, 4.3.d, 4.5, 4.12, 5.1, 5.2-5.5, 1.1(195), 9.1, 9.2; Houff Decl. ¶ 44.) In accordance with the KBC Modifications, **the Plan also provides for the substantive consolidation of KBC with the Substantively Consolidated Debtors** solely for the limited purpose of treating any Unsecured Claims against KBC as Claims in Subclass 9B for purposes of distributions to be made under the Plan. (KBC Modification at 2; Houff Decl. ¶ 44.)

c. Section 1123(a)(6) — Prohibition Against the Issuance of Nonvoting Equity Securities and Adequate Provisions for Voting Power of Classes of Securities.

Section 4.3.a(i) of the Plan provides that the Certificates of Incorporation of Reorganized KAC, Reorganized Kaiser Trading and each other Reorganized Debtor will, among other things, prohibit the issuance of nonvoting equity securities to the extent required under section 1123(a) of the Bankruptcy Code. (Plan § 4.3.a(i); Houff Decl. ¶ 45.) This prohibition is reflected in Article IV, Section 1 of the Amended and Restated Articles of Incorporation of Reorganized KAC and the Amended and Restated Articles of Incorporation of Reorganized Kaiser Trading, which are Plan Exhibits 4.3a(i) and (ii). (Plan Ex. 4.3.a(i), 4.3.a(ii); Houff Decl. ¶ 45.)

Jan. 9, 2006 Hr'g at 58, 60-68, 86-88, 91, 110-12.) The discharge and release of the Reorganizing Debtors and Reorganized Debtors from all Claims, and the injunctive protection provided to the Reorganizing Debtors, Reorganized Debtors and Protected Parties with respect to Demands as provided in the Plan, these Findings and Conclusions and the Confirmation Order shall not affect the liability of any PI Insurance Company except (i) to the extent that any such insurance company is also a Settling Insurance Company or (ii) that all PI Insurer Coverage Defenses are preserved; and

p. The PI Channeling Injunctions are essential to the Plan and the Reorganizing Debtors' reorganization efforts (Houff Decl. ¶ 104; Ferazzi Decl. ¶ 39).

G. SUBSTANTIVE CONSOLIDATION.

There are no pending objections to (i) the substantive consolidation of the Substantively Consolidated Debtors or (ii) the substantive consolidation of the Estates of KBC and the Substantively Consolidated Debtors solely in order to treat any Unsecured Claims against KBC as Claims in Subclass 9B for purposes of distributions to be made under the Plan, as set forth in the KBC Modifications. Substantive consolidation as provided under Article IX of the Plan, as modified, is solely for the purpose of implementing the Plan, including for purposes of voting, Confirmation and distributions to be made under the Plan. (Plan § 9.1.) The proposed substantive consolidation of the Substantively Consolidated Debtors is consistent with the Intercompany Claims Settlement, section 5 of which specifically permitted the substantive consolidation of certain of the Debtors. (Houff Decl. ¶ 75.) Moreover, all of the Substantively Consolidated Debtors are interrelated companies operating under KAC and KACC, which entities are the Substantively Consolidated Debtors' ultimate parent companies for tax and business purposes, and the deemed substantive consolidation will promote efficiency and decrease costs in the implementation of the Plan. (*Id.*) In addition, with respect to the

substantive consolidation of KBC with the Substantively Consolidated Debtors solely in order to treat any Unsecured Claims against KBC as Claims in Subclass 9B for purposes of distributions to be made under the Plan, the only two creditors of KBC's estate, the PBGC and Sherwin, have specifically consented to the provisions regarding the limited substantive consolidation of KBC with the Substantively Consolidated Debtors. (Houff Decl. ¶ 76.) Furthermore, notice of the KBC Modifications and an opportunity to object thereto and to change the creditor's vote on the Plan was given to all known creditors in Subclass 9B of the Plan. (KBC Aff. of Serv. ¶3.) No creditor objected to the KBC Modifications, and no creditor who timely submitted a vote in Subclass 9B to accept the Plan elected to change such vote. (Voting Change Decl. ¶ 5.) In the absence of any creditor objection to the deemed substantive consolidation, and in light of the overwhelming creditor support for the Plan, the deemed substantive consolidation of the Substantively Consolidated Debtors and the limited substantive consolidation of the Estates of KBC and the Substantively Consolidated Debtors is consensual. And for the foregoing reasons, the substantive consolidation provided for in the Plan, as modified, is in the best interests of the Reorganizing Debtors' Estates and creditors.

II. CONCLUSIONS OF LAW.

A. JURISDICTION AND VENUE.

The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The Reorganizing Debtors were and are qualified to be debtors under section 109 of the Bankruptcy Code. Venue of the Reorganization Cases in the United States Court for the District of Delaware was proper as of the Petition Date, pursuant to 28 U.S.C. § 1408, and continues to be proper.