

SETTLEMENT AGREEMENT

This settlement agreement (“Agreement”) is entered into between Stanly County, a North Carolina county organized under Chapter 153A of the General Statutes (“Stanly County” or the “County”), and Alcoa Inc. (“Alcoa”) and its wholly owned subsidiary, Alcoa Power Generating Inc. (“APGI”), for the purposes of settling certain differences and disputes between Stanly County and Alcoa and APGI concerning the four hydroelectric dams and reservoirs that APGI operates on the Yadkin River (the “Project”) and the site of the aluminum plant that Alcoa owns and formerly operated adjacent to the Project (“Badin Works”).

Recitals

This Agreement provides support and resources for the County’s water and sewer infrastructure, while resolving various disputes between the County and APGI and Alcoa over the Project and Badin Works.

A. FERC. In 1958, APGI was granted a license by the Federal Energy Regulatory Commission (“FERC”) to operate the Project. APGI submitted to FERC in 2006 an application (“FERC Application”) for a new long-term license to operate the Project (“New FERC License”).

B. 401 Certification and Pending Matters. As required by the FERC relicensing process for the Project, APGI applied for and in 2009 received from the North Carolina Division of Water Quality (“DWQ”) a certification under § 401 of the federal Clean Water Act for the Project (the “2009 Certification”). On September 28, 2012, APGI submitted to DWQ an application for a new certification under § 401 of the federal Clean Water Act for the Project (the “2012 Application”). The following are matters between Stanly County and APGI that involve, directly or indirectly, the 2009 Certification and/or the 2012 Application:

i. 401 Appeal: Stanly County and another Petitioner (the Yadkin Riverkeeper) challenged the 2009 Certification by filing separate petitions for contested case hearings at the Office

of Administrative Hearings (“OAH”), as did APGI. Those three (3) appeals were consolidated by the assigned Administrative Law Judge (“ALJ”) into a single proceeding (the “401 Appeal”). The 401 Appeal has been stayed.

ii. 401 Revocation Appeal: On December 1, 2010, the State of North Carolina issued a notice of revocation of the 2009 Certification (the “Revocation”). APGI appealed the Revocation by filing a petition for contested case hearing at OAH (“Revocation Appeal”). Stanly County intervened in the Revocation Appeal. The Revocation Appeal was dismissed without prejudice pursuant to Rule 41(a) of the North Carolina Rules of Civil Procedure by order of ALJ Joe Webster dated September 27, 2012, which order recited that the matter may be re-filed within one (1) year of its dismissal.

iii. Fish Consumption Advisory Appeal: The North Carolina Division of Public Health and the North Carolina State Health Director (collectively “DPH”) issued on February 11, 2009, a fish consumption advisory (the “Fish Advisory”) for two (2) species of fish for Badin Lake (a/k/a Narrows Reservoir in the Project), based on the presence of polychlorinated biphenyls (“PCBs”) in the tissue of those species of fish caught in the lake. APGI filed an administrative appeal at OAH of the Fish Advisory (the “Fish Advisory Appeal”). Stanly County intervened in that Fish Advisory Appeal. The Fish Advisory Appeal has been stayed pending resolution of the Revocation and 401 Appeals.

iv. 2012 Application. On September 28, 2012, APGI submitted to DWQ the 2012 Application. As of the date of this agreement, DWQ has not taken any action to grant or deny that 2012 Application.

v. Public Records Requests and Litigation. APGI submitted certain public records requests to Stanly County (“APGI Public Records Requests”). The APGI Public Records Requests,

and claims related to open meetings under North Carolina law, are the subject of a lawsuit filed by APGI in Stanly County Superior Court (“Public Records Lawsuit”).

vi. Pending Matters. Stanly County and APGI desire to resolve their disputes and disagreements concerning the 401 Appeal, Revocation Appeal, Fish Advisory Appeal, and the Yadkin Public Records Matters (the “Pending Matters”).

C. Badin Works and Sediment Remediation. Conditions at and around Badin Works are regulated by the Division of Waste Management (“DWM”) of the Department of Environment and Natural Resources (“DENR”), including sediments in an adjacent part of Badin Lake that have been impacted by releases from Badin Works (“Impacted Sediments”). The United States Environmental Protection Agency (“EPA”) also regulates matters related to PCBs. Alcoa conducted remedial investigations at and around Badin Works from 1994 through 2011.

D. Badin Works. Remediation of Badin Works is regulated by DWM pursuant to the solid and hazardous waste standards contained in Article 9 of Chapter 130A of the North Carolina General Statutes, Subchapter 13A of Title 15A of the North Carolina Administrative Code; the hazardous waste provisions of the federal Solid Waste Disposal Act at 42 U.S.C. §§ 6901 *et seq.*; and the regulations promulgated thereto (collectively “Hazardous Waste Standards”).

E. Impacted Sediments. Site investigations have revealed the presence of polychlorinated biphenyl (“PCB”) compounds and polycyclic aromatic hydrocarbon (“PAH”) compounds in the Impacted Sediments. Alcoa has voluntarily agreed to remediate the Impacted Sediments (“Sediment Remediation”) under the supervision of DWM (with the concurrence of EPA) pursuant to the Inactive Hazardous Sites Response Act of 1987, as amended and clarified in 1989 (the “Act”), which constitutes Parts 3 and 4, Article 9 of Chapter 130A of the North Carolina General Statutes, N.C.G.S. 130A-310 *et seq.*, and regulations promulgated pursuant thereto (collectively “Inactive Site Standards”). The Sediment Remediation is governed by an administrative agreement between DWM

and Alcoa (“AA”) and a Remedial Action Plan approved by DWM in accordance with that AA (“RAP”). DWM has approved the AA and the RAP, and Alcoa is implementing the work required under those documents.

Agreement

To resolve the Pending Matters between the parties, Alcoa, APGI and Stanly County agree to undertake the following actions, with the mutual agreements stipulated as providing good and adequate consideration therefore.

1. The 401 Certification and FERC License

A. Stanly County will not oppose the 2012 Application, and will not challenge the issuance of a final and effective Section 401 certification consistent with the 2012 Application; provided that Stanly County reserves the right to challenge DWQ’s failure to include provisions in such new Section 401 certification that are at least substantively consistent with the requirements of the 2009 Certification (not including any requirements related to financial assurance or guaranty requirements).

B. Stanly County will within fifteen (15) days of the date of this Agreement file with FERC a written document expressing support for the issuance of a final and effective New FERC License for the Project, with a 50-year term, and will neither seek rehearing of nor appeal any FERC license issued to APGI or its successors in interest, provided that the New FERC license issued is consistent with the terms of this Agreement and does not preclude any of the matters provided for in this Agreement.

C. As used in this Agreement (including its use in reference to a “final 401 Certification” or a “final FERC License” or similar phrase), the term “final” refers to a document that has been issued in final form by DWQ or FERC, respectively, and that is either not appealed within the required times or is upheld on appeal and all appeal times have expired.

2. Dismissal or other Disposal of Pending Matters.

A. APGI, Alcoa and Stanly County shall take actions necessary to stay or dismiss all Yadkin public records matters in accordance with the following schedule:

i. Within ten (10) business days from the date of this Agreement, APGI shall take all necessary actions to stay the APGI Public Records Requests.

ii. Within ten (10) business days from the issuance of a final FERC license, APGI shall take all necessary actions to withdraw the APGI Public Records Requests.

iii. Within ten (10) business days from the Effective Date of this Agreement, APGI shall dismiss with prejudice the Public Records Lawsuit. Further, Alcoa agrees to be bound by APGI's actions in dismissing the Public Records Lawsuit as if it had been party to the Public Records Lawsuit.

B. APGI and Stanly County will continue to support the stay of the Fish Advisory Appeal, pending timely issuance of a final 401 Certification. Within ten (10) business days following the issuance a final 401 Certification, APGI shall dismiss with prejudice the Fish Advisory Appeal.

C. APGI and Stanly County will continue to support the stay of the 401 Appeal, pending issuance of a final 401 Certification. Within ten (10) business days following the issuance of a final 401 Certification, APGI and Stanly County shall file a joint motion requesting the dismissal of the 401 Appeal in its entirety.

D. Notwithstanding any other provision herein (including, without limitation, the agreements to stay certain proceedings), APGI does not waive its right to re-file its Revocation Appeal as allowed by the order allowing dismissal without prejudice of that Revocation Appeal, provided that APGI shall take the actions represented to the Court in paragraph 7 of its Motion For An Order Dismissing This Matter Without Prejudice, filed in the Revocation Appeal.

E. APGI, Alcoa and Stanly County shall each bear their own costs and expenses (including, without limitation, attorney's fees) in the matters dismissed under this Section.

3. Economic Development

A. Within 60 days of APGI's (or its successor to the Project or current or New FERC Licensee) receipt of a final New FERC license, Alcoa and/or APGI will make non-refundable payments to Stanly County of:

i. Two Million and No/100 Dollars (\$2,000,000.00) for general purposes deemed appropriate by Stanly County in its sole discretion;

ii. One Million and No/100 Dollars (\$1,000,000.00) for general economic development purposes located within Stanly County and deemed appropriate by Stanly County in its sole discretion; and

iii. One Hundred Thousand and No/100 Dollars (\$100,000.00) for each year that the term of the final New FERC license exceeds forty (40) years, up to a maximum term of fifty (50) years (that is, for a total amount not to exceed One Million and no/100 Dollars (\$1,000,000.00)), for general purposes deemed appropriate by Stanly County in its sole discretion.

B. Alcoa will continue its work in preparing the Badin Works for future industrial development or other appropriate uses. During the term of the New FERC License and when the Badin Business Park is at less than 90% occupancy, Stanly County and Alcoa will work cooperatively to attract new business to and uses for the Badin Works site.

C. Promptly after the effective date of this Agreement and after consultation with Stanly County, Alcoa will enlarge the Badin Business Park by a minimum of 100 acres (lands outside the current fence line) for development, consistent with the County's zoning and land use process; provided that, to the extent that the County's failure to grant any necessary zoning and land use approvals for the full enlargement area proposed by Alcoa results in that enlargement area becoming smaller than 100 acres, Alcoa's obligation to enlarge the Badin Business Park shall be limited to the acreage for which the necessary County approvals have been obtained.

4. Water Withdrawals

A. For requests made within three years of the effective date of the New FERC License, APGI and any successor of APGI to its current or New FERC License for the Yadkin Project (FERC Project No. 2197) will support, and agrees to seek prompt approval from FERC for, Stanly County requests to withdraw water from the Project and associated easements so long as the maximum allowable withdrawal limit(s) for Stanly County's Yadkin Project intakes do not exceed a total of thirty million gallons per day (30 MGD). Stanly County, with assistance from APGI, will gather necessary supporting documentation required under the FERC-approved shoreline management plan for the Project, or as otherwise required, for approval of Stanly County's request(s) for withdrawal of such water and for such associated easements, consistent with those documents, the FERC license and the following provisions of this Agreement (the "Stanly County Water Request"). APGI will support the approval of the Stanly County Water Request(s) before FERC or any other appropriate administrative agency or department ("Water Approvals"). Stanly County acknowledges that APGI, in its support for the Stanly County Water Request(s), will act in a non-discriminatory manner consistent with the commitments, as relevant, it has made to the City of Albemarle contained in the RSA. APGI and Alcoa agree that in any sale or transfer of the Yadkin Project, the successor Licensee shall assume the obligations of this paragraph as a condition of the Sale and the Transfer of License.

B. APGI and Stanly shall negotiate a separate written agreement containing financial terms materially the same as those that APGI provided to the City of Albemarle for its Project water withdrawals, and will be subject to applicable FERC requirements and the Low Flow Protocol set forth in the New FERC License. Starting on January 1 after the final New FERC License is effective, Stanly County will not be charged a fee for water withdrawals at or below 11 MGD, averaged over one month, within any calendar year. APGI will fully support, and agrees to seek approval from FERC for up to 30 MGD maximum daily withdrawals for Stanly County so long as the financial terms for the withdrawals

in excess of 11 MGD are consistent with the terms for withdrawals of equivalent volume provided to the City of Albemarle pursuant to the RSA and with APGI's agreement with the City of Albemarle.

5. Water Facilities. Within three (3) months of receiving a New FERC License which is Final and Non-Appealable (as defined in the RSA), or March 31, 2014, whichever is later, and except as provided below, Alcoa and APGI (or any successor to Alcoa's or APGI's interest in the relevant real property) will, after consultation and agreement with Stanly County on the specific parcels, transfer at no charge to Stanly County: (i) a minimum of nineteen and one-half [19.5] contiguous acres of buildable land ("Water Facility Land"), (ii) a perpetual non-exclusive easement (with a width to be determined by mutual agreement of the parties, but not less than 50 feet in width) in or on which Stanly County may construct and maintain underground or above-ground pipes and facilities, including roadway access, sufficient to withdraw 30 MGD of Project water and transport such water to the Water Facility Land ("Withdrawal Easement"), (iii) one-half acre of buildable land contiguous to the Withdrawal Easement in a condition and location suitable for a water intake and pump station ("Pump Station Parcel"), and (iv) a perpetual non-exclusive easement (with a width to be determined by mutual agreement of the parties, but not less than 30 feet in width) on which the County may construct an improved road sufficient to allow access to and from the Water Facility Land and Pump Station Parcel ("Access Easement"), all of the foregoing for the purpose of allowing the County to construct and operate a water treatment and pumping facility ("Water Facilities"), including reasonable expansions, improvements or modifications of such Water Facilities, in accordance with applicable Project or FERC procedures. To the extent that the Withdrawal Easement or Access Easement is situated on Project lands, the time period to complete the contemplated transfer of that specific easement shall be suspended during any period necessary to accomplish required notice to FERC or receive FERC approval for the transfer; provided that the contemplated transfers of such easements not situated on Project lands shall not be delayed or suspended pending such notice or FERC approval, absent

agreement of both parties. In determining whether the Water Facility Land will accommodate the contemplated Water Facilities, both parties will consider, among other factors, that the land needs to be in an area suitable for the purpose of Water Facilities and includes access to water from Project impoundments. Alcoa and/or APCI shall transfer to Stanly County fee simple title, free and clear of all claims, liens and encumbrances but subject to all matters of record or otherwise ascertainable by a land survey, in the Water Facility Land and Pump Station Parcel by a North Carolina Special Warranty deed. Said deed shall include a description of the land conveyed. A separate easement agreement shall describe the grants of the Withdrawal Easement and Access Easement. Said deed and easement agreement shall also contain a provision mandating that the Water Facility Land, Withdrawal Easement and Access Easement will be returned to the transferor if construction and operation of the Water Facilities have not occurred by the expiration date of the New License; provided that, once the County has completed construction of the Water Facility and the Facility is in operation, such provisions shall terminate. APCI and Alcoa shall deliver and execute, in a form reasonably acceptable to the County and its title insurer, such documents as are customarily executed and delivered in connection with the transfer of real estate in North Carolina, including without limitation an affidavit and indemnity agreement regarding the absence of liens and leases on the Water Facility Land and Pump Station Parcel and on the land subject to the Withdrawal Easement and Access Easement. Stanly County shall conduct all of its activities on the lands and easements transferred under this Section in accordance with applicable law and regulations. Alcoa and APCI shall cooperate with Stanly County in obtaining the appropriate approvals for construction and operation of the Water Facilities, including without limitation permits and certifications for work in Project waters.

6. Non-disparagement. The parties agree that they will not make disparaging statements about one another's efforts or actions with respect to the matters settled in this Agreement; provided that nothing herein shall be construed to constrain the parties' ability to bring an action or present evidence

concerning the breach or non-performance of this Agreement, or to prosecute any action or challenge permitted by law.

7. General Provisions

A. The parties to this document represent that they and their signatories have full authority to sign and implement this Agreement and that this Agreement does not violate any other obligation applicable to them.

B. North Carolina law governs the interpretation and application of this Agreement to the parties, and this Agreement may be enforced by either party in the federal or the state courts of North Carolina as provided herein.

i. Notwithstanding this provision for enforcement of this Agreement, no cause of action shall exist because of the existence of this Agreement by which Stanly County or any person claiming to act by or through Stanly County may assert a breach of this Agreement as a basis to secure jurisdiction or a remedy with respect to any matter other than the agreements of Alcoa and or APGI to (i) dismiss or dispose of Pending Matters as provided in Paragraph 2, hereof, (ii) the contribution of funds, land and cooperation regarding economic development as provided in Paragraph 3, hereof, (iii) the assistance in securing water withdrawals as provided in Paragraph 4, herein,(iv) the conveyance of lands and easements suitable for Stanly County's water pumping and treatment facility as provided in Paragraph 5, hereof and the non-disparagement agreement as provided in Paragraph 6 hereof and the General Provisions of this Paragraph 7.

ii. This provision for enforcement of this Agreement does not create or support any jurisdiction or basis for any action by either party for any matter beyond the enforcement of this Agreement, including, without limitation, any basis or cause of action for the County to enforce the terms of the final 401 Certification, any order or agreement pertaining to the remediation associated with the Project or Site, the terms of the final FERC license, or any other license, permit, certification,

order or other action by state or federal governmental agencies pertaining to the Project or Site (“Governmental Actions”). The County hereby waives any right, and agrees not, to bring an action under § 505 of the Clean Water Act, 33 U.S.C. § 1365 to enforce the terms of a Governmental Action or the obligations or provisions of this Agreement based on any facts existing as to the date of this Agreement; provided, however, that this paragraph does not waive any other right arising from law, statute or regulation independent of this Agreement that the County might have to appeal or contest any of those Governmental Actions under state or federal administrative procedure acts or other similar provisions.

C. This Agreement is binding upon, and will inure to the benefit of, the parties to this Agreement. In the event APGI and/or Alcoa transfers the current or New FERC License and/or sells ownership of the Project, or any other assets and rights referred to in this Agreement as to the Project, APGI and Alcoa agree that obligations of APGI and/or Alcoa under this Agreement that have not already been fully discharged may, at the sole option of APGI and/or Alcoa, be transferred to any such transferee(s) or successor buyer(s), but neither APGI nor Alcoa is required to take such action, except to the extent that the APGI obligation can only be specifically performed by the entity that holds the Yadkin Project license or owns the Yadkin Project property. This provision is not intended to diminish or invalidate in any way any obligation of APGI and/or Alcoa to Stanly County under this Agreement.

D. This Agreement contains the entire agreement between the parties relating to the subject matters covered by this Agreement, and supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, between the parties. This Agreement shall not be amended or modified and no waiver of any provisions hereof shall be effective unless set forth in a written instrument executed with the same formality as this Agreement.

E. If any provision of the Agreement as applied to any Party or to any circumstances shall be adjudged by a court to be void and unenforceable, the same shall in no way affect:

- i. Any other provision of the Agreement;
- ii. The application of such provision in any other circumstances; and
- iii. The validity or enforceability of the Agreement as a whole,

provided, however, that if the term declared void or unenforceable is material to the Party for whom such term provided a benefit or protection, that Party can seek other remedies, including, without limitation, rescission or reformation, based on the term being declared void and unenforceable.

F. In executing this Agreement, the parties acknowledge that they have had the opportunity to consult with and be advised by an attorney of their choosing, that they fully understand and are satisfied with the terms incorporated herein, which represent a full and fair settlement of the issues described above, and that they have executed this Agreement freely, after independent investigation and without fraud, duress or undue influence.

G. Each party shall bear its own costs previously incurred in any way related to the subject matter of this Agreement and shall bear its own costs in any of the transactions contemplated by this agreement hereafter.

H. Each of the parties has had the opportunity to participate fully, and be fully and competently represented, in the negotiation and drafting of this Agreement. Accordingly, the parties agree that any rule of construction of contracts resolving any ambiguities against the drafting party shall not apply to this Agreement. The language in all parts of this Agreement shall be in all cases construed as a whole according to its meaning and not strictly for or against either of the parties.

I. The use of headings, captions and numbers in this Agreement is solely for the convenience of identifying and indexing the various provisions in this Agreement and shall in no event be considered otherwise in construing or interpreting any provision in this Agreement.

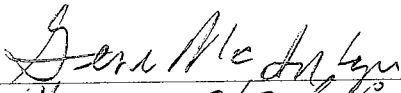
J. The waiver of any breach of this Agreement shall not be construed as a waiver of any subsequent breach or remedies therefore.

K. Nothing in this Agreement shall be construed to require a party to take actions inconsistent with applicable law.


L. This Agreement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

M. The effective date of this Agreement shall be the date on which it has been signed by all parties to it.

Stanly County

By  Date 5-6-2013
Its Chair, Stanly County Commission

Alcoa Inc.

By  Date May 6, 2013
Its Vice President & CSO

Alcoa Power Generating, Inc.

By  Date May 6, 2013
Its Vice President