

Aleris International, Inc.
Form DEFM14A
November 09, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule § 240.14a-12

ALERIS INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value \$0.10 per share, of Aleris International, Inc.

(2) Aggregate number of securities to which transaction applies:

30,991,760 shares of Aleris common stock

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1,537,466 options to purchase shares of Aleris common stock with an exercise price less than \$52.50

564,207 shares of restricted Aleris common stock and rights to receive Aleris common stock pursuant to stock unit awards

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee was determined based upon the sum of (A) 30,991,760 shares of Aleris common stock multiplied by \$52.50 per share, (B) 564,207 shares of restricted common stock and rights to receive Aleris common stock pursuant to stock unit awards multiplied by \$52.50 per share or unit and (C) options to purchase 1,537,466 shares of Aleris common stock with exercise prices less than \$52.50, multiplied by \$39.12 per share (which is the difference between \$52.50 and the weighted average exercise price per share). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.00010700 by the sum of the preceding sentence.

- (4) Proposed maximum aggregate value of transaction:

\$1,716,833,938.00

- (5) Total fee paid:

\$183,701.23

x Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

- (3) Filing Party:

- (4) Date Filed:

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25825 SCIENCE PARK DRIVE

SUITE 400

BEACHWOOD, OHIO 44122-7392

November 9, 2006

Dear Stockholder:

On August 7, 2006, Aleris International, Inc. (Aleris or the Company) entered into a merger agreement providing for the acquisition of the Company by Aurora Acquisition Holdings, Inc., which we refer to as Parent, an entity currently owned indirectly by private equity funds sponsored by TPG Advisors IV, Inc. and TPG Advisors V, Inc. If the merger is completed, you will receive \$52.50 in cash, without interest and less any required withholding taxes, for each share of Aleris common stock you own.

As further described in the proxy statement attached to this letter, the merger agreement provides for the merger of Aurora Acquisition Merger Sub, Inc., a wholly-owned subsidiary of Parent, which we refer to as Merger Sub, with and into the Company pursuant to which each outstanding share of common stock, par value \$0.10 per share, of the Company (other than shares held in the treasury of the Company or owned by Parent, Merger Sub or any direct or indirect wholly-owned subsidiary of Parent or the Company and other than shares held by stockholders who properly exercise statutory appraisal rights) will be converted into the right to receive \$52.50 in cash, without interest and less any required withholding taxes.

You will be asked, at a special meeting of the Company's stockholders to be held at the Marriott Cleveland East, 26300 Harvard Road, Beachwood, Ohio 44122 on December 14, 2006, at 10:00 A.M., Eastern Time, to vote on the merger proposal. Only stockholders of record of Aleris common stock on the close of business on November 1, 2006 are entitled to vote at the special meeting. **The board of directors has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to and in the best interests of Aleris and its stockholders. The board of directors unanimously recommends that Aleris's stockholders vote FOR the approval and adoption of the merger agreement.** In considering the recommendation of our board of directors with respect to the merger, you should be aware that, as a result of the merger, certain of Aleris's directors will receive payment for equity-based interests in the Company that they hold in addition to shares of Aleris common stock.

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting of the Company's stockholders. We encourage you to read the entire proxy statement carefully. You may also obtain more information about the Company from documents we have filed with the Securities and Exchange Commission.

Your vote is very important. Because approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Aleris common stock entitled to vote as of the close of business on the record date for the special meeting, a failure to vote will have the same effect as a vote against approval and adoption of the merger agreement.

Whether or not you plan to attend the special meeting in person and regardless of the number of shares you own, it is important that your shares be represented and voted at the special meeting. Accordingly, you are requested to vote the enclosed proxy at your earliest convenience. Your shares will then be represented at the special meeting, and we will be able to avoid the expense of further solicitation.

Submitting your proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Thank you for your cooperation and continued support.

Very truly yours,

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Steven J. Demetriou
Chairman of the Board of Directors and

Chief Executive Officer

THIS PROXY STATEMENT IS DATED NOVEMBER 9, 2006

AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT NOVEMBER 10, 2006

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25825 SCIENCE PARK DRIVE
SUITE 400
BEACHWOOD, OHIO 44122-7392

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD DECEMBER 14, 2006

Dear Stockholder:

Notice is hereby given that a special meeting of stockholders of Aleris International, Inc. (Aleris or the Company), will be held at the Marriott Cleveland East, 26300 Harvard Road, Beachwood, Ohio 44122 on December 14, 2006, at 10:00 A.M., Eastern Time. At the special meeting Aleris stockholders will be asked to:

Consider and vote on a proposal to approve and adopt the merger agreement that provides for the acquisition of the Company by Aurora Acquisition Holdings, Inc., which we refer to as Parent, an entity currently owned indirectly by private equity funds sponsored by TPG Advisors IV, Inc. and TPG Advisors V, Inc. As further described in this proxy statement, the merger agreement provides for the merger of Aurora Acquisition Merger Sub, Inc., a wholly-owned subsidiary of Parent, which we refer to as Merger Sub, with and into Aleris pursuant to which each outstanding share of common stock, par value \$0.10 per share, of the Company (other than shares held in the treasury of the Company or owned by Parent, Merger Sub or any direct or indirect wholly-owned subsidiary of Parent or the Company and other than shares held by stockholders who properly exercise statutory appraisal rights), will be converted into the right to receive \$52.50 in cash, without interest and less any required withholding taxes.

Consider and vote on a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the merger agreement, if proposed by the Company's board of directors.

Consider and take action on any other business matter that may properly come before the special meeting or any reconvened special meeting following an adjournment or postponement thereof.

Whether or not you plan to attend the special meeting, we encourage you to vote by proxy as soon as possible. To vote your proxy by mail, mark your vote on the enclosed proxy card, sign it correctly, and return it in the envelope provided. To vote your proxy by telephone or electronically via the Internet, see the instructions on the proxy card and have the proxy card available when you call or access the Internet website. If you receive more than one proxy card because your shares are registered in different names or at different addresses, each proxy card should be voted to ensure that all of your shares will be counted. You may revoke your proxy at any time prior to the special meeting, and if you are present at the special meeting, you may withdraw your proxy and vote in person.

Only stockholders of record of Aleris common stock on the close of business on November 1, 2006, are entitled to notice of and to vote at the special meeting and at any adjournment or postponement of the special meeting. On the record date, we had outstanding 31,338,437 shares of common stock. Each share of common stock is entitled to one vote on each matter to come before the special meeting. The presence, in person or by proxy, of holders of a majority of the outstanding shares of common stock entitled to vote as of the record date is necessary to constitute a quorum at the special meeting. Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Aleris common stock entitled to vote as of the close of business on the record date for the special meeting. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval and adoption of the merger

agreement. If you fail to return your proxy card or fail to submit your proxy by telephone or the Internet

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and do not attend the special meeting in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, will have the same effect as a vote against the approval and adoption of the merger agreement. All stockholders of record are cordially invited to attend the special meeting in person. A complete list of stockholders of record entitled to vote at the special meeting will be open to the examination of any stockholder at our headquarters during normal business hours at 25825 Science Park Drive, Suite 400, Beachwood, Ohio 44122-7392 for a period of ten days before the special meeting.

A copy of the merger agreement is attached as Annex A to the proxy statement of which this notice is a part. The proposal to approve and adopt the merger agreement is described in more detail in the accompanying proxy statement. You should read these documents carefully and in their entirety before voting. **Aleris's board of directors has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to and in the best interests of Aleris and its stockholders and unanimously recommends that Aleris stockholders vote FOR the proposal to approve and adopt the merger agreement.** In considering the recommendation of our board of directors with respect to the merger, you should be aware that, as a result of the merger, certain of Aleris's directors will receive payment for equity-based interests in the Company that they hold in addition to shares of Aleris common stock.

This notice, the accompanying proxy statement and the enclosed proxy card are sent to you by order of the board of directors of Aleris International, Inc.

Christopher R. Clegg

Senior Vice President, General Counsel

and Secretary

November 9, 2006

YOUR VOTE IS IMPORTANT

Stockholders of Aleris who do not vote in favor of the approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and they comply with all requirements of Section 262 of the Delaware General Corporation Law. A copy of the applicable statutory provisions is included as Annex C to the proxy statement, and a summary of these provisions can be found in the section entitled "Rights of Appraisal" in the proxy statement.

Please do not send your stock certificates at this time. If the merger is completed, you will be sent instructions regarding the surrender of your stock certificates.

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In this proxy statement, the terms Aleris , Company , we , our , ours and us refer to Aleris International, Inc.

SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that may be important to you. This summary is not meant to be a substitute for the information contained in the remainder of the proxy statement. To understand fully the potential acquisition of Aleris by private equity funds sponsored by TPG Advisors IV, Inc. and TPG Advisors V, Inc., which we refer to as the merger, and for a more complete description of the legal terms of the merger, you should read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement.

The Parties to the Merger

Aleris International, Inc.

25825 Science Park Drive, Suite 400

Beachwood, Ohio 44122-7392

(216) 910-3400

Aleris International, Inc. is a global leader in aluminum rolled products and extrusions, aluminum recycling and specification alloy production. Aleris is also a recycler of zinc and a leading U.S. manufacturer of zinc metal and value-added zinc products that include zinc oxide and zinc dust. Aleris operates 50 production facilities in North America, Europe, South America and Asia, and employs approximately 8,600 employees.

Aurora Acquisition Holdings, Inc.

c/o Texas Pacific Group

301 Commerce Street, Suite 3300

Fort Worth, TX 76102

(817) 871-4000

Aurora Acquisition Holdings, Inc., which we refer to as Parent, is currently indirectly wholly owned by private equity funds sponsored by TPG Advisors IV, Inc. and TPG Advisors V, Inc., which we refer to together as TPG. Parent was formed solely for the purpose of entering into the Agreement and Plan of Merger, dated as of August 7, 2006, by and among Aleris, Parent and Aurora Acquisition Merger Sub, Inc., which we refer to as the merger agreement, and completing the transactions contemplated by the merger agreement. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

Aurora Acquisition Merger Sub, Inc.

c/o Texas Pacific Group

301 Commerce Street, Suite 3300

Fort Worth, TX 76102

(817) 871-4000

Aurora Acquisition Merger Sub, Inc., which we refer to as Merger Sub, is wholly owned by Parent. Merger Sub was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Under the terms of the merger agreement, Merger Sub will merge with and into Aleris. Aleris will survive the merger and Merger

Sub will cease to exist.

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Parent and Merger Sub are each entities currently indirectly owned by private equity funds sponsored by TPG Advisors IV, Inc. and TPG Advisors V, Inc. Each of TPG Advisors IV, Inc. and TPG Advisors V, Inc. is serving as the sole general partner of related entities engaged in making investments in securities of public and private companies.

Reasons for the Merger (Page 26)

In evaluating the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Aleris board of directors consulted with Aleris's management, financial advisor and legal counsel. In concluding that the merger is in the best interests of Aleris and its stockholders, the Aleris board of directors considered a variety of factors including, among others;

the fact that the merger consideration of \$52.50 per share in cash represents (1) a premium to the closing sale price of Aleris common stock on August 4, 2006, the last full trading day before the time the Aleris board of directors met to consider approval of the merger agreement, which was prior to the Company's release of record second quarter earnings on August 8, 2006 of \$1.40 per share, which (according to published reports) exceeded the securities analysts' estimates of \$1.24 per share (which estimates were consistent with the Company's prior guidance), (2) a premium to the weighted average trading price of Aleris common stock as of August 1, 2006, and (3) a substantial premium to the average trading price of Aleris common stock prior to the 13D filings by OZ Management, L.L.C. and Brahman Capital Corp.;

the specific terms of the merger agreement; and

the fact that the merger is subject to the approval and adoption of the merger agreement by holders of a majority of the outstanding shares of Aleris common stock, and the availability of appraisal rights to holders of Aleris common stock who comply with all of the required procedures under Delaware law.

For a description of the factors that the Aleris board of directors considered in concluding that the merger is in the best interests of Aleris and its stockholders, see "The Merger" Reasons for the Merger.

Opinion of Aleris's Financial Advisor (Page 30 and Annex B)

In connection with the merger, Aleris's board of directors received a written opinion, dated August 7, 2006, from Citigroup Global Markets Inc., or Citigroup, Aleris's financial advisor, as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of Aleris common stock. The full text of Citigroup's written opinion is attached to this proxy statement as Annex B. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **Citigroup's opinion, which was provided to Aleris's board of directors in connection with its evaluation of the merger consideration from a financial point of view, does not address any other aspects or implications of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed merger.**

Financing the Merger (Page 35)

Parent estimates the total amount of funds necessary to complete the merger is approximately \$3.4 billion, which includes approximately \$1.7 billion to be paid to our stockholders and holders of our other equity-based interests, with the remaining funds to be used to refinance existing indebtedness of the Company and to pay customary fees and expenses in connection with the merger, the financing arrangements and the related transactions. These payments are expected to be funded by equity contributions by investment funds affiliated with TPG and other co-investors that may be identified by TPG, debt financing and our available cash.

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TPG Partners IV, L.P. and TPG Partners V, L.P., investment funds sponsored by TPG, and Aurora Acquisition Holdings, LLC, Parent's immediate parent company, which is currently wholly-owned by such investment funds sponsored by TPG, have agreed to fund in the aggregate up to \$1 billion as the equity portion of the financing for the merger, subject to the terms and conditions contained in their respective equity commitment letters.

In connection with the merger agreement, to finance in part payment of the merger consideration, Parent has obtained:

commitments from Deutsche Bank AG New York Branch to provide a senior secured term loan facility in an aggregate principal amount of \$970 million and a senior secured asset-based revolving credit facility with a maximum availability of \$750 million; and

commitments from Deutsche Bank AG Cayman Islands Branch to provide funds in an aggregate principal amount of up to \$530 million under a senior unsecured bridge facility and up to \$525 million under a senior subordinated unsecured bridge facility.

The debt commitments expire on June 30, 2007. The documentation governing the debt facilities has not been finalized and, therefore, the actual terms of such facilities may differ from those described in this proxy statement.

The facilities contemplated by the debt financing commitments are conditioned on the merger being completed prior to the merger agreement termination date, and other customary conditions, as described in further detail under [The Merger Financing the Merger Debt Financing](#).

Parent has agreed to use its reasonable best efforts to obtain the debt financing on the terms and conditions described in the commitments. The closing of the merger is not conditioned on the receipt of the debt financing by Merger Sub. Parent, however, is not required to complete the merger until after the completion of the marketing period as described above under [When the Merger Will Be Completed](#) and in further detail under [The Merger Agreement The Merger; Effective Time; Marketing Period](#).

If all other conditions to the consummation of the merger have been satisfied (including, without limitation, the expiration of the marketing period), Parent will be required to consummate the merger regardless of whether Parent has obtained debt financing on the terms and conditions described in the debt financing commitments, and the failure by Parent to consummate the merger in such circumstances would constitute a breach of the merger agreement. In the event that the Company terminates the merger agreement because Parent or Merger Sub breaches its obligations to effect the closing and satisfy its obligations with respect to payment of the merger consideration when all conditions to the closing are satisfied and the marketing period has expired and Parent fails to effect the closing because of a failure to receive the proceeds of one or more of the debt financings contemplated by the debt financing commitments or because of its refusal to accept debt financing on terms materially less beneficial to it than the terms set forth in the debt financing commitments, Merger Sub will be required to pay the Company a \$40 million termination fee. This termination fee payable to the Company is the exclusive remedy of the Company unless Parent or Merger Sub is otherwise in breach of the merger agreement, in which case the Company may pursue a damages claim. The aggregate liability of Parent and its affiliates arising from any breach of the merger agreement is in any event capped at \$100 million.

Interests of the Company's Directors and Executive Officers in the Merger (Page 37)

In considering the recommendation of our board of directors with respect to the merger, you should be aware that some of our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. Our board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. The aggregate amount of compensatory payments and benefits that executive officers and directors will receive as a result of

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the merger and the underlying Company plans with respect to the cancellation of their outstanding equity awards is \$59,108,960, which amount is exclusive of shares owned by executive officers as of the record date for the special meeting.

Treatment of Stock Options (Page 38)

As of the record date, there were approximately 1,024,121 shares of our common stock subject to stock options granted under our equity incentive plans to our current executive officers and directors. Each outstanding stock option that remains unexercised as of the completion of the merger, whether or not the option is vested or exercisable, will be canceled (to the extent permitted under the governing stock plan documents and related award agreements or otherwise effectuated by us), and the holder of each such stock option that has an exercise price of less than \$52.50 will be entitled to receive a cash payment, less applicable withholding taxes, equal to the product of:

the number of shares of our common stock subject to the option as of the effective time of the merger; and

the excess, if any, of \$52.50 over the exercise price per share of common stock subject to such option.

Please see page 38 for a table that summarizes the vested and unvested options with exercise prices of less than \$52.50 per share held by our executive officers and directors as of November 1, 2006, as well as the consideration that each of them will receive pursuant to the merger agreement in connection with the cancellation of their options.

Treatment of Restricted Stock and Stock Units (Page 39)

As of the record date, there were approximately 202,335 shares of our common stock represented by restricted share awards held by our executive officers and directors under our equity incentive plans. Under the merger agreement, all such restricted share awards will become immediately vested and free of restrictions effective as of the completion of the merger; and at the effective time of the merger, the holder of each such award will receive a cash payment of \$52.50 per share of restricted stock, without interest and less any applicable withholding taxes, in exchange for the cancellation of such restricted shares in accordance with the treatment of other stockholders participating in the merger.

In addition, as of the record date there were approximately 8,000 shares of our common stock represented by certain restricted stock units held by an executive officer originally granted in 2004 under an IMCO Recycling Inc. equity plan. Under the merger agreement, these restricted stock unit awards will be cancelled, and the holder of the restricted stock unit award will be entitled to receive in consideration for the cancellation a cash payment of \$52.50 per restricted stock unit, without interest and less any required withholding taxes.

Please see page 39 for a table that summarizes the restricted shares and restricted stock unit awards held by our executive officers and directors as of November 1, 2006, and the consideration that each of them will receive pursuant to the merger agreement in connection with the cancellation of such awards.

Treatment of Performance Units (Page 39)

Certain executive officers and other employees of the Company were granted performance units in 2005 and 2006 under the Company's 2004 Equity Incentive Plan. The grants provided for performance units, the settlement of which would be in shares of Aleris common stock, which would vest based on the attainment of certain performance goals. One-half of the performance unit award would vest upon the attainment of return on capital employed targets, which we refer to as the ROCE Vested Units, and the other half would vest only upon attainment of certain merger synergy targets prior to December 31, 2008 related to the merger of IMCO Recycling Inc. and Commonwealth Industries, Inc., which we refer to as the Synergy-Vested Units. Certain

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executive officers and other employees were also granted awards consisting of a cash amount and performance units as part of the 2005 Acquisition Incentive Awards, which we refer to as the Acquisition Units, which would be payable upon the attainment of specified goals at the end of 2006 and 2007.

Under the terms of the merger agreement, the Synergy-Vested Units will remain outstanding and the surviving corporation will make payments, if any, in accordance with the Synergy-Vested Units original agreements based on the attainment of the applicable performance measures. Any amount that would have been payable in shares will instead be payable in cash in an amount equal to \$52.50 multiplied by the number of shares underlying the Synergy-Vested Unit, less any required withholding taxes.

Also, under the merger agreement, the ROCE-Vested Units and the Acquisition Units will be accelerated and vested as if all performance goals had been met as of the date which is the later of January 15, 2007 and one business day following the closing date of the merger. The ROCE-Vested Units and the Acquisition Units will subsequently be cancelled and each holder of such units will receive in consideration for such cancellation an amount in cash equal to \$52.50 multiplied by the number of shares underlying the ROCE-Vested Units and the Acquisition Units, less any required withholding taxes, plus the cash amount portion of the Acquisition Unit award if any.

Please see page 40 for a table that summarizes the ROCE-Vested Units and the Acquisition Units held by our executive officers and directors as of November 1, 2006, the consideration that each of them will receive for the cancellation of the performance units in connection with the merger and the cash payment portion of the Acquisition Units that becomes payable upon the acceleration of the Acquisition Units.

Other Matters (Page 40)

Certain members of our management are parties to severance agreements, deferred compensation agreements and other employment-related arrangements. We do not expect the termination of employment provisions of these executive officers' agreements to be triggered. However, under these agreements, in the event of certain terminations of employment by the Company or the executive officer following the merger, payments ranging between \$933,816 and \$7,723,777, representing the amounts of severance, would become payable to the executive officer, depending on the particular agreement's terms. In addition, certain executives are eligible to receive a gross-up payment to offset any excise tax liability incurred as a result of the severance payment and the value of any accelerated vesting on outstanding equity awards. The potential gross-up payments which would become due in connection with the merger range from approximately \$562,000 to \$6,003,000, depending on the individual. See page 40 for a more detailed discussion.

The merger agreement provides for indemnification arrangements for each of our current and former directors and officers that will continue for six years following the effective time of the merger. In addition, the merger agreement provides that the Company will purchase by the effective time of the merger, and the surviving corporation will maintain, tail policies to the current directors' and officers' liability insurance policies currently maintained by the Company and its subsidiaries. These tail policies will not have aggregate premiums in excess of 400% of the annual amounts currently paid by the Company, will be effective for six years from the effective time of the merger with respect to claims arising from facts or events that existed or occurred prior to the effective time of the merger, and, except as provided in the merger agreement, will contain coverage that is at least as protective to the persons covered as our existing policies in this respect.

Furthermore, although no agreements have been entered into as of the date of this proxy statement, TPG has informed us that it is their intention to offer Mr. Demetriou the opportunity to serve on the boards of directors of Parent and the surviving corporation following the completion of the merger as chairman of the board and to retain members of our existing management team with the surviving corporation after the merger is completed, and, in that connection, Mr. Demetriou has engaged in preliminary discussions with representatives of Parent concerning the possibility of Mr. Demetriou serving on the boards of directors of the surviving corporation and

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Parent following the completion of the merger and members of our existing management entering into new arrangements with Parent, Merger Sub or their affiliates regarding employment with, and the right to reinvest, convert or participate in the equity of, the surviving corporation or one or more of its parent companies, although such matters are subject to further negotiation and discussion and no terms or conditions have been finalized.

As of November 1, 2006, the record date for the special meeting, directors and executive officers of Aleris and their affiliates beneficially owned an aggregate of 454,946 shares of Aleris common stock (not including options) entitled to vote at the special meeting, which represents approximately 1.45% of the Aleris common stock outstanding and entitled to vote as of the record date for the special meeting. In addition, as of such date, directors and executive officers of Aleris and their affiliates beneficially owned options to purchase, in the aggregate, 506,053 shares of Aleris common stock. These individuals are not party to any voting agreements with Aleris and do not have any obligations to vote in favor of the approval and adoption of the merger agreement, but have indicated to Aleris their intention to vote their outstanding shares of Aleris common stock in favor of the approval and adoption of the merger agreement. Furthermore, no stockholder is party to any voting agreement with Aleris and none has indicated to Aleris that it is a party to any agreement containing any obligations to vote in favor of the approval and adoption of the merger agreement.

Additionally, Mr. Demetriou currently serves on the board of directors of each of Kraton Polymers, LLC and Polymer Holdings LLC, Kraton's direct parent company. Mr. Demetriou receives customary compensation for serving as a director of Kraton. Kraton is a portfolio company of TPG Advisors IV, Inc. and investment funds affiliated with TPG Advisors IV, Inc.

Material United States Federal Income Tax Consequences (Page 43)

The merger will be a taxable transaction for U.S. federal income tax purposes if you are a holder of our common stock. Your receipt of cash in exchange for your shares of our common stock will cause you to recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between the cash you receive in the merger and the adjusted tax basis of your shares. See [The Merger Material United States Federal Income Tax Consequences](#) for a more detailed discussion.

Regulatory Approvals (Page 45)

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the Hart-Scott-Rodino Act, provides that transactions such as the merger may not be completed until certain information has been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and certain waiting period requirements have been satisfied. On September 1, 2006, the Company and TPG Partners V, L.P. each filed a Notification and Report Form with the Antitrust Division and the Federal Trade Commission and requested an early termination of the waiting period. On September 19, 2006, the Federal Trade Commission granted early termination of the waiting period initiated by these filings.

The European Community merger control laws, namely Council Regulation (EC) No. 139/2004 of January 20, 2004, require that transactions, such as the merger, may not be implemented until certain information has been submitted to the European Commission and it has approved the merger. TPG and Aleris caused the filing of the required information with the European Commission on September 1, 2006, and the European Commission cleared the transaction on October 6, 2006.

Except as noted above with respect to the required filings under the Hart-Scott-Rodino Act, the Council Regulation (EC) No. 139/2004 and the filing of a certificate of merger in Delaware on or before the effective date of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

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Litigation (Page 46)

On or about August 10, 2006, a putative class action lawsuit, entitled Kahn v. Demetriou, et al., Case No. 2335-N, was filed against the Company and its directors in the Court of Chancery of the State of Delaware, New Castle County. The plaintiff filed an amended complaint on October 6, 2006. The amended complaint purports to be brought on behalf of all the Company's stockholders (excluding the defendants and their affiliates). The amended complaint alleges that the Company's directors violated their fiduciary obligations to the Company's stockholders in approving the merger agreement. In that connection, the amended complaint alleges that (i) the merger consideration is inadequate; (ii) the announcement of the proposed transaction was timed to cap the market price of the Company's common stock prior to the August 8, 2006 announcement of record financial results for the second quarter that exceeded analysts' expectations and exceeded the Company's prior guidance to analysts; (iii) the directors failed to shop the Company because the proposed transaction is not the result of a pre-signing auction process or reliable market check; (iv) the go-shop provision is inadequate and unfairly limits the pool of potential merger candidates to certain strategic bidders and specifically excludes financial buyers; and (v) the termination fee and no-solicitation provisions of the merger agreement will hinder and deter other potential acquirers from seeking to acquire the Company on better terms than the proposed merger. The amended complaint also alleges that the preliminary proxy statement filed on September 8, 2006 was inadequate and misleading because it failed to make a number of disclosures related to the proposed transaction, including the fact that although Alcoa, Inc.'s share price declined after it announced record financial results, the preliminary proxy statement does not disclose that those financial results were below analysts' expectations. The amended complaint seeks various forms of relief, including injunctive relief that would, if granted, prevent the completion of the proposed transaction, unspecified compensatory damages, and attorneys' fees and expenses. Following discussions and negotiations, the parties reached an agreement in principle to settle the lawsuit. The proposed settlement is subject to, among other things, court approval following notice to the class and a hearing, and contemplates that Aleris will pay up to \$350,000 in attorneys' fees and expenses to plaintiffs' counsel.

Solicitation (Page 54)

The merger agreement restricts our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving the Company. Notwithstanding these restrictions, (1) under certain limited circumstances required for our board of directors to comply with its fiduciary duties, our board of directors may respond to an unsolicited bona fide proposal for an alternative acquisition or may terminate the merger agreement and enter into an agreement with respect to a superior proposal after paying the termination fee specified in the merger agreement and (2) we were permitted to solicit and participate in discussions with certain strategic bidders until 12:01 a.m. (Eastern Time) on September 7, 2006.

Conditions to Consummation of the Merger (Page 61)

The completion of the merger depends on satisfaction, at or prior to the merger, of a number of conditions, including the following:

the approval and adoption of the merger agreement by the required vote of our stockholders;

absence of any legal prohibition on completion of the merger or of any claim, action, suit, proceeding, arbitration, mediation or investigation by a governmental entity seeking to prohibit the merger;

expiration or termination of the waiting periods, and receipt of all approvals under the Hart-Scott-Rodino Act and the Council Regulation (EC) No. 139/2004, and material consents and approvals of any governmental entity that are necessary for the completion of the merger;

accuracy as of the closing of the merger of the representations and warranties made by the other party to the merger agreement, to the extent specified in the merger agreement;

performance by the other party to the merger agreement of the obligations required to be performed by it at or prior to the closing of the merger, to the extent specified in the merger agreement; and

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a legal defeasance, or discharge, with respect to our 9% Senior Notes due 2014 and a discharge with respect to our 10³/₈% Senior Secured Notes due 2010, the release of all liens securing such secured notes, and the termination of all restrictions on liens applicable to the notes.

In addition, Parent and Merger Sub are not obligated to complete the merger until the expiration of the marketing period to permit them to complete the debt financing for the merger, as described under The Merger Agreement The Merger; Effective Time; Marketing Period .

Termination (Page 63)

The merger agreement may be terminated and the merger may be abandoned at any time prior to the completion of the merger:

by mutual written consent of Parent and us;

by either Parent or us if:

a final and non-appealable court or other governmental order prohibits the merger;

the merger shall not have been completed on or before June 30, 2007, unless the failure of the merger to occur by such date is due to the failure of the party seeking to terminate the merger agreement to perform or comply with the covenants and agreements of such party set forth in the merger agreement; or

the requisite approval of the stockholders to approve and adopt the merger agreement is not obtained at the special meeting of our stockholders or at any adjournment or postponement thereof at which a vote on such approval was taken;

by us, if we are not then in material breach of any of our covenants or agreements contained in the merger agreement, if Parent or Merger Sub has breached any of their covenants or agreements or any of their representations or warranties set forth in the merger agreement which breach would result in, if occurring or continuing at the effective time of the merger, the failure of a condition of the Company to complete the merger, and which is not cured by the earlier of June 30, 2007 and 30 days following written notice to Parent or Merger Sub, or which by its nature or timing cannot be cured within such time period;

by Parent, if neither Parent nor Merger Sub is then in material breach of any of their respective covenants or agreements contained in the merger agreement, if we have breached any of our covenants or agreements or any of our representations or warranties set forth in the merger agreement (except the covenants and agreements concerning our non-solicitation obligations or our obligations to take certain actions in order to obtain stockholder approval), which breach would result in, if occurring or continuing at the effective time of the merger, the failure of a condition to Parent's and Merger Sub's obligations to complete the merger, and which is not cured by the earlier of June 30, 2007 and 30 days following written notice to us, or which by its nature or timing cannot be cured within such time period;

by Parent if:

our board of directors withdraws, modifies, qualifies or proposes publicly to withdraw, modify or qualify, in a manner adverse to Parent or Merger Sub, the recommendation of our board of directors of the approval and adoption of the merger agreement by our stockholders;

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we have, or our board of directors (or any committee thereof) has, publicly proposed to (1) approve, adopt or recommend any acquisition proposal or (2) approve or recommend, or allow us or any of our subsidiaries to enter into, a definitive agreement for an acquisition proposal;

we have failed to include in this proxy statement our recommendation that our stockholders approve the merger agreement and the merger;

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we have breached in any material respect any of our covenants or agreements relating to our non-solicitation obligations or our obligations to take certain actions in order to obtain a stockholder vote, or

we have taken any action to exempt any person (other than Parent, Merger Sub and their respective affiliates) from the restrictions on business combinations contained in Section 203 of the Delaware General Corporation Law (or any similar provisions) or otherwise caused such restrictions not to apply; and

by us at any time prior to approval and adoption of the merger agreement by our stockholders if in connection with entering into an agreement with respect to an acquisition proposal:

we have complied with our non-solicitation covenants in all material respects with respect to the acquisition proposal;

our board of directors (1) has determined in good faith (after consultation with our outside counsel and financial advisor) that the acquisition proposal is a superior proposal and (2) has determined in good faith (after consultation with our outside counsel) that entering into the agreement for such acquisition proposal is required for our board of directors to comply with its fiduciary duties under applicable law;

we have provided Parent with at least three business days prior written notice of our intention to terminate the merger agreement, which notice must specify the terms and conditions of the proposed agreement for the acquisition proposal (and any change to such terms and conditions shall require a new notice from us and will re-start the three business day period);

after taking into account any amendments to the merger agreement proposed by Parent after Parent's receipt of the notice referred to in the immediately preceding bullet, our board of directors has not changed its determination that such acquisition proposal is a superior proposal and that it is required by its fiduciary duties to enter into the agreement with respect to the acquisition proposal; and

we concurrently pay to Parent the termination fee, as described below.

Fees and Expenses (Page 65)

Fees and Expenses Payable by the Company

If the merger agreement is terminated under certain circumstances, the Company will be obligated to pay a termination fee to Parent of \$40 million. If the merger agreement is terminated because our stockholders fail to adopt the merger agreement, the Company will be obligated to pay the expenses of Parent and Merger sub, up to \$10 million, which amount will be offset against the termination fee described above, if payable.

Fees and Expenses Payable by Parent and Merger Sub

In the event that the Company terminates the merger agreement because Parent or Merger Sub breaches its obligations to effect the closing and satisfy its obligations with respect to payment of the merger consideration when all conditions to the closing are satisfied and the marketing period has expired and Parent fails to effect the closing because of a failure to receive the proceeds of one or more of the debt financings contemplated by the debt financing commitments or because of its refusal to accept debt financing on terms materially less beneficial to it than the terms set forth in the debt financing commitments, Merger Sub will be required to pay the Company a \$40 million termination fee. This termination fee payable to the Company is the exclusive remedy of the Company unless Parent or Merger Sub is otherwise in breach of the merger agreement, in which case the Company may pursue a damages claim. The aggregate liability of Parent and its affiliates arising from any breach of the merger agreement is in any event capped at \$100 million.

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Market Price of the Company's Stock (Page 67)

Our common stock is listed on the New York Stock Exchange under the trading symbol **ARS**. On August 4, 2006, which was the last full trading day before the date our board of directors met to consider approval of the merger agreement, shares of the Company's common stock closed at \$41.23 per share. On November 8, 2006, which was the last trading day before the date of this proxy statement, shares of the Company's common stock closed at \$51.47 per share.

Rights of Appraisal (Page 69 and Annex C)

Delaware law provides you with appraisal rights in the merger. This means that if you comply with the procedures for perfecting appraisal rights provided for under Delaware law, you are entitled to have the fair value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation in lieu of the merger consideration. The ultimate amount you receive in an appraisal proceeding may be more or less than, or the same as, the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must deliver a written demand for appraisal to the Company before the vote on the merger agreement at the special meeting and you must not vote in favor of the approval and adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. A copy of Section 262 of the General Corporation Law of the State of Delaware is attached to this proxy statement as Annex C.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are some questions regarding the special meeting and the proposed merger that you, as a stockholder of Aleris, may have, and answers to those questions. These questions and answers are not meant to be a substitute for the information contained in the remainder of the proxy statement. We urge you to read the entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement before making any decision.