Aleris International, Inc.
Form DEF 14A
April 13, 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 x

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))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ALERIS INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(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):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Dear Stockholder:

You are cordially invited to the Annual Meeting of Stockholders of Aleris International, Inc. scheduled to be held at the Marriott Cleveland East, 26300 Harvard Road, Beachwood, Ohio 44122 on May 18, 2006, at 10:00 A.M., Eastern Daylight Time.

At the meeting, you will be asked to elect three directors to serve until the 2009 Annual Meeting of Stockholders. Your Board of Directors has unanimously nominated these persons for election as directors. You are also being asked to approve the Amended and Restated Aleris International, Inc. 2004 Equity Incentive Plan and to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2006. Information concerning the director nominees and these proposals, as well as other important information, is contained in the accompanying Proxy Statement. Please take the time to read it carefully.

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

On behalf of Aleris s Board of Directors and employees, thank you for your cooperation and continued support.

Sincerely,

Chairman of the Board of Directors

and Chief Executive Officer

April 13, 2006

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Aleris International, Inc.

25825 Science Park Drive, Suite 400

Beachwood, Ohio 44122-7392

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 18, 2006

To the Stockholders of

Aleris International, Inc.

The 2006 Annual Meeting of Stockholders of Aleris International, Inc. will be held at the Marriott Cleveland East, 26300 Harvard Road, Beachwood, Ohio 44122 on May 18, 2006, at 10:00 A.M., Eastern Daylight Time. At the meeting, the stockholders will be asked to:

elect three Class II directors to hold office until the 2009 Annual Meeting of Stockholders;

approve the Amended and Restated Aleris International, Inc. 2004 Equity Incentive Plan;

ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2006; and

transact any other business which properly may be brought before the meeting and any adjournment thereof.

Holders of record of our common stock at the close of business on March 27, 2006 are entitled to notice of and to vote at the Annual Meeting. A complete list of these stockholders of record will be open to the examination of any stockholder at our headquarters at 25825 Science Park Drive, Suite 400, Beachwood, Ohio 44122-7392 for a period of ten days before the meeting. The meeting may be adjourned from time to time without notice other than by announcement at the meeting.

Whether or not you plan to attend the Annual 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 meeting, and if you are present at the meeting, you may withdraw it and vote in person. Attendance at the Annual Meeting is limited to stockholders, their proxies and invited guests of Aleris International, Inc.

This Notice, the accompanying Proxy Statement and the enclosed Proxy 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*

Beachwood, Ohio

April 13, 2006

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Aleris International, Inc.

25825 Science Park Drive, Suite 400

Beachwood, Ohio 44122-7392

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 18, 2006

The Board of Directors of Aleris International, Inc. (Aleris or the Company) is soliciting proxies to be voted at the Annual Meeting of Stockholders to be held at the Marriott Cleveland East, 26300 Harvard Road, Beachwood, Ohio 44122 on May 18, 2006 and at any adjournment of the meeting. This Proxy Statement and the enclosed proxy are first being mailed to stockholders on or about April 13, 2006.

This proxy solicitation is intended to give stockholders the opportunity to vote on the matters set forth in the accompanying Notice of Annual Meeting. The proxy permits stockholders to withhold voting for any or all of the nominees for election to our Board of Directors and to abstain from voting on any other specified proposal if they choose.

All holders of record of shares of our common stock at the close of business on March 27, 2006 (Record Date) are entitled to notice of and to vote at the Annual Meeting. On the Record Date, we had outstanding 31,320,973 shares of common stock. Each share of common stock is entitled to one vote on each matter to come before the Annual 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 Annual Meeting. A plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting, so long as there is a quorum, is required for the election of directors. Approval of any other proposal described in this Proxy Statement requires the affirmative vote of a majority of the votes cast by the stockholders represented at the Annual Meeting, assuming a quorum is present.

With respect to the election of directors, votes may be cast in favor or withheld. Votes that are withheld will be excluded entirely from the vote and will have no effect. Abstentions may be specified on all other proposals and will be counted as present for purposes of the item on which the abstention is noted. Under current rules of the New York Stock Exchange (NYSE), brokers who hold shares in street name for customers have the authority to vote on certain items when they have not received instructions from beneficial owners. Brokers who do not receive instructions are entitled to vote on the election of directors and the proposal to ratify the appointment of the independent registered public accounting firm. Under Delaware law, a broker non-vote will have no effect on the outcome of the election of directors or the proposal to ratify the appointment of the independent registered public accounting firm.

A stockholder has the unconditional right to revoke his or her proxy at any time before it is voted. Any proxy given may be revoked either by a written notice signed and delivered to the Secretary of Aleris before the proxy is exercised, by signing another proxy or by voting in person at the meeting (although simply attending the Annual Meeting without either signing a ballot or signing another proxy at the meeting will not revoke a proxy). Where a stockholder s signed proxy specifies a choice with respect to a voting matter, the shares will be voted accordingly. If no specification is made, the shares will be voted:

FOR the nominees for director identified in this Proxy Statement;

FOR the approval of the Amended and Restated Aleris International, Inc. 2004 Equity Incentive Plan; and

FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2006.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our Amended Certificate of Incorporation provides that the number of directors that constitute the entire Board of Directors shall be fixed from time to time exclusively by the Board of Directors (but cannot be less than three) and that the directors will be divided into three classes as nearly equal in number as possible. The term of office of the Class II Directors expires at this year s Annual Meeting of Stockholders. The term of office of the Class I Directors expires at the 2007 Annual Meeting of Stockholders and the term of office of the Class III Directors expires at the 2008 Annual Meeting of Stockholders. Aleris s Bylaws provide that the affirmative vote of a plurality of the votes cast at the meeting at which a quorum is present is required for the election of directors. The enclosed proxy card allows you to:

- vote **FOR** the election of the nominees identified below;

- withhold authority to vote for one or more of the nominees; or

- withhold authority to vote for all of the nominees.

The Board recommends that you vote **FOR** all of the nominees. Unless you give contrary instructions in your proxy, your proxy will be voted **FOR** the election of all of the nominees. If any nominee should become unable or unwilling to accept nomination or election, the person(s) acting under the proxy will vote for the election of such other person as the Board of Directors may recommend. The Board of Directors has no reason to believe, however, that any of the nominees will be unable or unwilling to serve, if elected. Each of the nominees has consented to being named in this Proxy Statement and to serve if elected.

There are no arrangements or understandings between any person and any of the directors pursuant to which such director was selected as a nominee for election at the Annual Meeting; however, in connection with the merger transaction of Commonwealth Industries, Inc. (Commonwealth) with Aleris in 2004 (the CII/IMCO Merger) and pursuant to the terms of the related CII/IMCO Merger agreement between the parties, Aleris s Bylaws were amended to address certain aspects of the composition of the Board of Directors and Committees of the Board. Specifically, the Amendment to the Bylaws provides that until the second anniversary of the date of the CII/IMCO Merger (December 9, 2006), the Board of Directors of Aleris will be composed of a Chairman of the Board and an equal number of directors from each of the boards of the two companies, or continuing directors. The Bylaws further provide that, until December 9, 2006, any action of our Board of Directors to nominate for election any person or persons as a director of Aleris at any annual or special meeting, or by written consent of the stockholders of Aleris who is not a continuing director requires the affirmative vote of at least 66 $^{2}/3$% of the directors in office. In addition, until December 9, 2006, any amendment or modification by the Board of Directors of the Charter of our Nominating and Governance Committee requires the affirmative vote of at least 66 $^{2}/3$% of the directors then in office. See *Meetings and Committees of the Board of Directors.*

There are no family relationships among any of the directors or executive officers of Aleris.

Directors and Nominees for Election to the Board of Directors

Class II Directors Nominees

Name	Age
C. Frederick Fetterolf	77
Dale V. Kesler	66
John E. Merow	76

C. Frederick Fetterolf C. Frederick Fetterolf has served as a director since the CII/IMCO Merger. He had previously served as a director of Commonwealth from 1997 until completion of the CII/IMCO Merger. Mr. Fetterolf was President and Chief Operating Officer of Aluminum Company of America, Inc. (Alcoa) from 1985

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to 1991, and served as President of Alcoa from 1983 to 1985. He is a former director of Allegheny Technologies, Inc. and a former member of its compensation committee and technology committee, having retired from such service in 2004. He formerly served as chair of the audit committee for Mellon Bank, NA, Chair of the audit committee of Praxair, Inc. and a member of the audit committee of Union Carbide Corp. Mr. Fetterolf presently serves as Trustee of Grove City College, Eastern University and several other non-profit boards.

Dale V. Kesler Dale V. Kesler has served as a director since 2002. Mr. Kesler retired in 1995 as a partner of the professional accounting firm, Arthur Andersen LLP. He served as that firm s Dallas office accounting and audit division head from 1973 through 1982 and as the managing partner of the Dallas office from 1983 through 1994. Mr. Kesler also serves as a director of ElkCorp, Triad Hospitals, Inc. and CellStar Corp. He is a member of the audit committee of each of these companies; a member of the compensation committee and corporate governance committee of ElkCorp and CellStar Corp; a member of the compliance committee of Triad Hospitals, Inc.; and a member of the executive committee of each of the boards of ElkCorp. and Triad Hospitals, Inc. He also serves as a board member of Perkins School of Theology at Southern Methodist University and a board member and audit committee chairman of a private company in California, New Millennium Homes.

John E. Merow John E. Merow has served as a director since the CII/IMCO Merger. He served as a director of Commonwealth from 1995 until completion of the CII/IMCO Merger. He is currently a Senior Counsel with the law firm of Sullivan & Cromwell LLP. Mr. Merow was a Partner in Sullivan & Cromwell LLP from 1965 through 1996, and Chairman and Senior Partner from 1987 through 1994. Mr. Merow is an Executive Committee member and Secretary of the United States Council for International Business, a Trustee of New York-Presbyterian Hospital and a Trustee and Vice Chairman of New York-Presbyterian Healthcare System, Inc. He is a member of the American Law Institute and the Council of Foreign Relations.

Directors Continuing in Office

Class I Directors; Present Term Expires 2007

Name	Age
John E. Balkcom	58
Steven J. Demetriou	47
Paul E. Lego	75

John E. Balkcom John E. Balkcom has served as a director since December 2003, and served as our Chairman of the Board from April 2004 until the CII/IMCO Merger. He is currently an adjunct lecturer at Northwestern University and a management consultant. Mr. Balkcom previously served as the President of St. John s College in Santa Fe, New Mexico from November 2000 through August 2003. Before then, he was a principal of Sibson & Company, a human capital management consulting firm in Chicago, Illinois, from October 1988 through August 2000.

Steven J. Demetriou Steven J. Demetriou became Chairman of the Board and Chief Executive Officer of Aleris following the CII/IMCO Merger. Mr. Demetriou served as President and Chief Executive Officer of Commonwealth from June 2004 and served as a director of Commonwealth from 2002 until the CII/IMCO Merger. Mr. Demetriou was President and Chief Executive Officer of Noveon, Inc., a global producer of advanced specialty chemicals from 2001 until June 2004. Prior to that, from 1999 to 2001, he was Executive Vice President of IMC Global Inc., a producer of crop nutrients and animal feed ingredients. Mr. Demetriou also served in a number of leadership positions with Cytec Industries Inc., a specialty chemicals and materials company, from 1997 to 1999. From 1981 to 1997, he held various positions with Exxon Corporation. Mr. Demetriou is a Director of ElkCorp and OMG Group, Inc.; he is a member of the audit committee, compensation committee and corporate governance committee of each of these companies.

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Paul E. Lego Paul E. Lego has served as a director since the CII/IMCO Merger. He was previously the Non-Executive Chairman of the Board of Directors of Commonwealth from 1995 until completion of the CII/IMCO Merger. He is currently President of Intelligent Enterprises, a private consulting firm. From 1990 until his retirement in 1993, Mr. Lego was Chairman of the Board of Directors and Chief Executive Officer of Westinghouse Electric Corporation. He was a former director of United States Steel Corporation, Consolidated Natural Gas Company, Dominion Resources, Inc., and Lincoln Electric Holdings, Inc. Mr. Lego is an Emeritus Trustee of the University of Pittsburgh and a member of the American Society of Corporate Executives.

Class III Directors; Present Term Expires in 2008

Name	Age
John E. Grimes	65
Larry E. Kittelberger	57
Hugh G. Robinson	73

John E. Grimes John E. Grimes has served as a director since 2001. Mr. Grimes retired in July 2000 from his position as President and General Manager of the Dallas/Fort Worth subsidiary of Enterprise Rent-A-Car, a national rental car company for which he served in various positions since 1971.

Larry E. Kittelberger Larry E. Kittelberger has served as a director since the CII/IMCO Merger. He had previously served as a director of Commonwealth from 2000 until the CII/IMCO Merger. Mr. Kittelberger has been Senior Vice President, Administration and Chief Information Officer of Honeywell International Inc. since 2001. He served as Senior Vice President and Chief Information Officer of Lucent Technologies Inc. from 1999 to 2001 and for Allied Signal, Inc. from 1995 to 1999. From 1970 to 1995, Mr. Kittelberger held a number of positions with Tenneco, Inc. He is a director of Arbitron, Inc., and a member of the audit committee, chair of the technology strategy committee and a member of the nominating and board governance committee of that company. He also serves on the advisory boards of AT&T Corp., International Business Machines Corporation and the School of Information Sciences and Technology at Pennsylvania State University.

Hugh G. Robinson Hugh G. Robinson has served as a director since 1999. Mr. Robinson is currently Chairman and Chief Executive Officer of Global Building Systems, Inc., a housing development and construction firm located in Dallas, Texas. He served from 1989 through 2002 as Chairman and Chief Executive Officer of The Tetra Group, Inc., a construction management firm located in Dallas. Previously, Mr. Robinson was President of Cityplace Development Corporation, a real estate development subsidiary of the Southland Corporation. Mr. Robinson is a former Chairman and Board member of the Federal Reserve Bank of Dallas. Mr. Robinson served as an officer in the United States Army, retiring with the rank of Major General. He is currently a director of Carmax, Inc., Newmarket Technology, Inc. and a member of the Advisory Board of TXU Corp.

Meetings and Committees of Board of Directors.

In 2005, the Board of Directors held a total of 13 meetings. Each current director attended more than 92% of all meetings of the Board of Directors and the Committees on which he served during 2005.

Since 2003, we have amended or adopted new charters for our Audit Committee, Compensation Committee and Nominating and Governance Committee to implement the rules and standards under the Sarbanes-Oxley Act of 2002, the rules of the U.S. Securities and Exchange Commission (SEC) and the NYSE s corporate governance listing standards. You may access our Committee s Charters, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our Code of Ethics for Senior Officers on our website at *http://www.aleris.com* or by writing to us at Aleris International, Inc., 25825 Science Park Drive, Suite 400, Beachwood, Ohio 44122-7392, Attention: Secretary. A copy of our Audit Committee Charter is attached to this Proxy Statement as *Annex A*.

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Under NYSE corporate governance listing standards, our non-employee directors meet at regularly scheduled and specially called executive sessions without management being present. All executive session meetings of the Board are presided over by a lead director, currently Mr. Kesler. Our lead director also presides at meetings of the Board when the Chairman is not present and reviews Board meeting agendas with the Chairman in advance of Board meetings. Stockholders and other interested parties may communicate with the Board and our non-employee directors by sending an email to *directors@aleris.com* or by writing to the Board of Directors, c/o Aleris International, Inc., Secretary, 25825 Science Park Drive, Suite 400, Beachwood, Ohio 44122-7392. Inquiries will be reviewed by our Secretary and, if relevant, will be forwarded to our non-employee directors.

We do not require our Board members to attend our annual stockholders meetings. Eight of our nine directors attended our Annual Meeting of Stockholders for 2005.

Our Board has determined that, except for Mr. Demetriou, who is an executive officer and employee of Aleris, each of our current directors has no material relationship with Aleris (either directly or as a partner, shareholder or officer of an organization that has a relationship with Aleris) and is independent within the meaning of the NYSE s director independence standards as they are currently in effect.

The Board of Directors has established as its standing committees an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, and a Health, Safety & Environmental Committee. In addition, the Board establishes temporary special committees on an as-needed basis. In connection with the CII/IMCO Merger, and pursuant to the terms of the related CII/IMCO Merger agreement between the parties, Aleris s Bylaws were amended to address certain aspects of the composition of the Board of Directors and Committees of the Board. The Bylaws provide that, until December 9, 2006, committees of the Board of Directors will be composed of an equal number of continuing directors from each of the two companies.

The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities by:

- Overseeing the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.
- Monitoring the integrity of financial information that will be provided to the Shareholders and others and the Company s compliance with legal and regulatory requirements.
- Reviewing areas of potential significant financial risk to the Company including evaluation of the system of internal controls and procedures for financial reporting which management and the Board of Directors has established.
- Monitoring the qualifications and independence of the Company s external auditors.
- Monitoring the performance of the Company s external auditors and internal auditing function.
- Reporting on all such matters to the Board of Directors.
- Preparing the report required by the rules of the Securities and Exchange Commission (SEC) to be included in the Company s annual proxy statement.

In addition, the Audit Committee has the authority to retain and, if necessary, terminate our independent registered public accounting firm (subject, if applicable, to ratification by the Company s stockholders). A copy of the Charter of the Audit Committee is attached hereto as *Annex A* and also available for review on our website at *http://www.aleris.com*. The Audit Committee members are Messrs. Fetterolf (Chairman), Balkcom, Kesler and Merow. The Board of Directors has confirmed that each of the Audit Committee members is independent within the meaning of applicable securities laws and the NYSE s corporate governance listing standards. In accordance with the rules adopted under section

407 of the Sarbanes-Oxley Act of 2002, the Board of Directors identified Mr. Kesler as the Audit Committee financial expert. In addition to his service on Aleris s Audit

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Committee, Mr. Kesler serves on the audit committee of ElkCorp, Triad Hospitals, Inc. and CellStar Corp. As required by the corporate governance listing standards of the NYSE, the Board of Directors has determined that the simultaneous service of Mr. Kesler on the audit committee of more than three public companies will not impair his ability to effectively serve on Aleris s Audit Committee. The Audit Committee met nine times in 2005.

The purpose of the Compensation Committee is to discharge the responsibilities of the Board of Directors relating to compensation of the Company s executive and senior management. In this respect, the Committee has overall responsibility for approving and evaluating executive and senior management compensation plans, policies and programs of the Company and awards thereunder. A copy of the Compensation Committee Charter is available on our website at *http://www.aleris.com*. The members of the Compensation Committee are Messrs. Balkcom (Chairman), Kittelberger, Lego, and Robinson, each of whom is considered to be independent under the NYSE corporate governance listing standards. The Compensation Committee met five times in 2005.

The Nominating and Governance Committee advises the Board of Directors on director compensation and matters relating to Board governance, Board and Committee membership and succession (including the chief executive officer). The Nominating and Governance Committee will consider recommendations for nominees for director submitted by stockholders. Stockholders should submit any recommendation in writing to the Nominating and Governance Committee, c/o Secretary of Aleris, at our principal executive offices. Generally, nominees for election to our Board should have professional and personal ethics and values consistent with our values and standards. They should have experience at the policy-making level in business, government, education, technology or public interest. They should have sufficient time available to carry out their duties and to provide insight and practical wisdom based on their experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform all director duties responsibly. Finally, each director must represent the interests of all stockholders.

The general qualifications required for directors are set forth in our Nominating and Governance Committee Charter. Until December 9, 2006, any amendment or modification by the Board of Directors of the Charter of the Nominating and Governance Committee requires the affirmative vote of at least 66 $^{2}/3\%$ of the directors then in office. In addition to considering candidates suggested by stockholders, the Nominating and Governance Committee considers potential candidates. The Committee screens all potential candidates in the same manner regardless of the source of the recommendation. The Nominating and Governance Committee s initial review is typically based on written materials provided with respect to the potential candidate. The Committee determines whether the candidate meets our Company s director selection criteria and whether requesting additional information or an interview is appropriate. Our Bylaws, as amended, also permit stockholders to nominate individuals for director for consideration at an annual stockholders meeting. See *2007 Annual Meeting.*

A copy of the Charter of the Nominating and Governance Committee is available on our website at *http://www.aleris.com.* The members of the Nominating and Governance Committee are Messrs. Grimes (Chairman), Kittelberger, Lego, and Robinson, each of whom is considered to be independent under the NYSE corporate governance listing standards. The Board of Directors has confirmed that each of the Nominating and Governance Committee members is independent within the meaning of applicable securities laws and the NYSE s corporate governance listing standards. The Nominating and Governance Committee met four times in 2005.

The Health, Safety & Environmental Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the Company s management of health, safety and environmental matters. The members of the Health, Safety & Environmental Committee are Messrs. Merow (Chairman), Fetterolf, Grimes and Kesler. The Health, Safety and Environmental Committee met four times in 2005.

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Directors Compensation

The 1996 Annual Incentive Program, as amended, provides that an annual retainer for non-employee directors will be fixed by the Board for each year. For 2005, the annual retainer amount was $40,000; for 2006, the annual retainer amount is $45,000. During 2005, we paid our non-employee directors retainers and fees as follows:

Annual retainer for non-employee directors	$ 40,000
Annual retainer for Chairman of Audit Committee	$ 10,000
Annual retainer for Chairman of Compensation Committee	$ 8,000
Annual retainer for Chairman of Nominating and Governance Committee	$ 5,000
Annual retainer for Chairman of Health, Safety & Environmental Committee	$ 5,000
Annual retainer for Lead Director	$ 5,000
Attendance fee for Board of Directors or Committee meetings attended in person (maximum per day)	$ 1,500
Attendance fee for Board of Directors or Committee meetings attended by conference telephone (maximum per day)	$ 1,000

The annual retainer for non-employee directors, the chairmen of Board Committees and the lead director are each payable in quarterly installments. Payments will be made quarterly in advance on the first trading day of each calendar quarter. A portion of the annual retainer will be paid in cash and a portion will be paid in common stock of the Company. Each non-employee director may elect to receive either 25% or 50% of his total retainer amount in shares of common stock. The number of shares will be determined by dividing the retainer dollar amount by the closing price per share of Aleris common stock on the first trading day of the applicable calendar quarter. The remaining amount of the retainer (either 75% or 50%) shall be paid in cash on the first business day of each calendar quarter.

Each of the non-employee directors is also entitled to receive on an annual basis a grant of shares of restricted common stock under the terms of the 2004 Plan, having a value equal to $35,000. The number of shares is determined by dividing $35,000 by the closing price per share of common stock on the first trading day of the applicable calendar year. On February 23, 2006, the Board of Directors increased the annual grant of shares of restricted common stock to shares of restricted common stock having a value equal to $40,000. For 2006, the initial number of restricted shares was determined by dividing $35,000 by the closing price per share of Aleris common stock on January 3, 2006 ($32.02). The number of shares of restricted common stock granted for the additional $5,000 was determined by dividing $5,000 by the closing price per share of common stock on February 23, 2006 ($43.23). The shares of restricted stock vest entirely on the earlier date of the third anniversary of the date of grant (February 23, 2009 for the incremental shares) or on the date the Director is no longer a member of the Board of Directors.

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PROPOSAL NO. 2

APPROVAL OF THE AMENDED AND RESTATED ALERIS INTERNATIONAL, INC. 2004 EQUITY INCENTIVE PLAN

General

On April 6, 2006, Aleris s Board of Directors approved the amendments to and restatement of the 2004 Plan that will become effective on May 18, 2006, subject to approval by Aleris s stockholders. A copy of the 2004 Plan, as amended and restated (Restated 2004 Plan), is attached as *Annex B*. The Restated 2004 Plan is not a qualified plan within the meaning of Section 401 of the Internal Revenue Code. Approval of the proposed amendments and restatement of the 2004 Plan will result in 1,100,000 shares being added to the shares available for awards. As of April 13, 2006, an aggregate of 666,443 options or full value shares, as defined in the 2004 Plan, representing shares of common stock have been awarded pursuant to the 2004 Plan. The NYSE closing price of a share of our common stock on March 27, 2006 was $47.20. This proposal is being submitted to stockholders by the Aleris Board of Directors.

The primary objective of the Restated 2004 Plan is to promote stockholder value by providing appropriate incentives to key employees, non-employee directors and certain other individuals who perform services for Aleris and its affiliates. The Restated 2004 Plan is administered by the Compensation Committee of Aleris s Board of Directors, which is comprised exclusively of non-employee independent directors. The Restated 2004 Plan provides for the granting of incentive and non-incentive stock options, as well as other awards, such as stock appreciation rights, restricted stock, restricted stock units, stock units, performance units, performance shares and other equity-based awards providing similar benefits. Certain awards under the Restated 2004 Plan may be paid in cash or common stock, as determined by the Compensation Committee. The Compensation Committee has exclusive discretion to select the participants who will receive awards and to determine the type, size and terms of each award. The Compensation Committee may delegate these duties and powers to one or more officers of the Company and its Subsidiaries (as defined in the Restated 2004 Plan) in certain instances, and any such officer will report periodically to the Compensation Committee. The Compensation Committee will also make all determinations that it decides are necessary or desirable in the interpretation and administration of the Restated 2004 Plan.

The following summary of the material features of the Restated 2004 Plan is qualified by reference to the copy of the Restated 2004 Plan that is attached as *Annex B* to this Proxy Statement.

General Terms

The Restated 2004 Plan provides for the grant of incentive and nonqualified stock options, restricted stock, restricted stock units, stock units, stock appreciation rights, performance units, performance shares, dividend equivalent rights and share awards to (i) Aleris s directors, officers, employees, (ii) independent contractors of the Company or a Subsidiary; and (iii) individuals to whom the Company or a Subsidiary has extended a formal written offer of employment. This amendment increases the number of shares of Aleris common stock that may be subject to awards granted under the Restated 2004 Plan from 1,100,000 shares under the original plan to 2,200,000 shares under the Restated 2004 Plan.

The maximum number of shares subject to each of stock options, stock appreciation rights, restricted stock, restricted stock units, stock units, performance shares or share awards that may be awarded to any individual in a calendar year is 500,000.

If an award granted under the Restated 2004 Plan expires, is canceled, is settled in cash (including the settlement of tax withholding obligations using shares) or is otherwise terminated without having been fully exercised or payment having been made in respect of the entire award, the shares allocable to the terminated portion of the award will again be available for grant under the Restated 2004 Plan. If a stock appreciation right

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is settled in shares, the excess of the number of shares covered by the stock appreciation right over the number of shares issued in settlement of the stock appreciation right will also be available for use again under the Restated 2004 Plan.

The composition of the Compensation Committee is intended to permit the awards under the Restated 2004 Plan to qualify for the exemption under Rule 16b-3 under the Securities Exchange Act of 1934. In addition, awards under the Restated 2004 Plan made to executive officers subject to the deductibility limitations under Section 162(m) of the Internal Revenue Code (i.e., covered employees), will be designed to satisfy the requirements under Section 162(m) and the treasury regulations thereunder, to permit the deduction by Aleris of the associated expenses for federal income tax purposes.

Description of Awards

As a general matter, awards granted under the Restated 2004 Plan will be subject to the terms and conditions set forth in an agreement evidencing their grant.

- *Stock Options*. The Compensation Committee may grant incentive and nonqualified stock options to participants. Incentive stock options are options to purchase shares of Aleris common stock that are intended to qualify for special tax treatment under Section 422 of the Code (ISOs). Non-statutory stock options (NSOs) do not qualify for such treatment. The exercise price of options granted under the Restated 2004 Plan may not be less than 100% of the fair market value of a share on the date of grant. The term of options may not exceed ten years (for an ISO, five years if the recipient is a ten percent stockholder). The exercise price may be paid with cash, with previously acquired shares of Aleris common stock, or by other means approved by the Compensation Committee, including by means of a broker-assisted exercise.

- *Stock Appreciation Rights*. The Compensation Committee may, either alone or in connection with the grant of any option, grant stock appreciation rights to participants under the Restated 2004 Plan. Stock appreciation rights granted alone may be exercised at such times and be subject to such terms and conditions as the Compensation Committee may impose, provided any vesting period shall not be less than one year. Stock appreciation rights that are granted in tandem with options may only be exercised upon the surrender of the right to purchase an equivalent number of shares of Aleris s common stock under the related options and may be exercised only with respect to the shares of common stock for which the related options are then exercisable. The term of stock appreciation rights granted under the Restated 2004 Plan cannot exceed ten years. A stock appreciation right entitles a participant to surrender any of the then exercisable portion of the stock appreciation right and, if applicable, the related option, in exchange for an amount equal to the product of (i) the excess of the fair market value of a share of Aleris s common stock on the date preceding the date of surrender over the fair market value of a share of Aleris s common stock on the date the stock appreciation right was issued (or, if the stock appreciation right is related to an option, the per share exercise price of the option), times (ii) the number of shares of Aleris s common stock subject to the stock appreciation right.

- *Dividend Equivalent Rights*. The Compensation Committee may grant dividend equivalent rights either in connection with awards or as separate awards under the Restated 2004 Plan. Amounts payable in respect of dividend equivalent rights may be payable currently or, if applicable, deferred until the lapsing of restrictions on the dividend equivalent rights or until the vesting, exercise, payment, settlement or other lapse of restrictions on the award to which the dividend equivalent rights relate.

- *Restricted Stock*. The Compensation Committee may grant awards of restricted stock under the Restated 2004 Plan, which, unless the Compensation Committee determines otherwise at the time of grant, carry full voting rights and other rights as a stockholder, including rights to receive dividends and other distributions. Restricted Stock awards granted under the Restated 2004 Plan may not have a vesting period of less than three years. Unrestricted shares will be delivered when the restrictions lapse.

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- *Restricted Stock Units*. The Compensation Committee may grant awards of restricted stock units under the Restated 2004 Plan, which entitles the participant to the issuance of shares of Aleris common stock when the restrictions on the units awarded lapse. Restricted Stock Unit awards granted under the Restated 2004 Plan may not have a vesting period of less than three years. Restricted Stock Unit awards granted under the Restated 2004 Plan do not carry any stockholder rights until such time as the applicable restrictions lapse.

- *Stock Units*. The Compensation Committee may grant stock units under the Restated 2004 Plan, which represents the right of a participant to receive payment upon vesting or on any later date specified by the Compensation Committee. The amount of such payment is equal to the fair market value of a share of Aleris s common stock on the date the stock unit was granted, the vesting date, or such other date determined by the Compensation Committee at the time of grant. Stock unit awards granted under the Restated 2004 Plan may not have a vesting period of less than one year.

- *Share Awards*. The Compensation Committee may grant share awards under the Restated 2004 Plan as additional compensation for services rendered or in lieu of cash or other compensation to which a participant is entitled. Share awards granted under the Restated 2004 Plan may not have a vesting period of less than one year.

- *Performance Awards*. The Compensation Committee may grant performance shares and performance units under the Restated 2004 Plan to key employees or directors of Aleris or our subsidiaries, which will be earned only if performance goals established for performance periods are met. Unless the Compensation Committee determines otherwise at the time of grant, performance shares carry with them full voting rights and other rights as a stockholder, including rights to receive dividends and other distributions. Performance shares represent the right to receive a certain number of shares of Aleris s common stock on the terms and conditions provided in an agreement. Performance units are denominated in shares of Aleris s common stock, a specified dollar amount, or both, and represent the right to receive: (i) in the case of share-denominated performance units, a payment in the amount of the fair-market value on the date of grant, vesting or any other date specified by the Compensation Committee; (ii) in the case of dollar-denominated performance units, the specified dollar amount; or (iii) a percentage (which may exceed 100%) of the amount set forth in (i) or (ii), depending on the level of the performance goals attained. The amount paid to a participant with respect to any one award of performance units shall not exceed an amount equal to $3,000,000 multiplied by the number of years in the applicable performance period.

The following performance criteria may be used to measure Aleris s performance as a whole or the performance of a business unit, business segment or division, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, in each case as specified by the Compensation Committee: (a) net earnings or net income, or growth in net earnings or net income (in any case before or after taxes); (b) earnings per share; (c) net sales growth or net revenue growth; (d) net operating profit; (e) return measures (including, but not limited to, return on assets, net assets, capital, investment, equity, or revenue); (f) cash flow (including operating cash flow, free cash flow, and cash flow return on capital); (g) earnings before or after taxes, interest, depreciation, and/or amortization; (h) gross margins; (i) productivity ratios; (j) revenue ratios; (k) share price (including growth measures and total stockholder return); (l) expense targets; (m) operating targets; (n) productivity measures; (o) efficiency measures; (p) cost reductions; (q) operating margins; (r) operating efficiency; (s) proceeds from dispositions; (t) project completion time; (u) budget goals; (v) Economic Value Added (EVA®); (w) customer growth; and (x) customer satisfaction. For awards that are intended to qualify as performance-based compensation, the performance objectives will comply with the requirements of Section 162(m) of the Internal Revenue Code.

Except to the extent that the treatment of the performance award as performance-based compensation will be adversely affected, at the time of grant of a performance award, the Committee may provide for the manner in which performance will be measured against the performance objectives (or may adjust the performance objectives) to reflect losses from discontinued operations, extraordinary, unusual or nonrecurring gains and

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losses, the cumulative effect of accounting changes, acquisitions or divestitures, core process redesign, structural changes/outsourcing, foreign exchange impacts, the impact of specified corporate transactions, accounting or tax law changes and other extraordinary or nonrecurring events. The performance objectives with respect to a performance cycle shall be established in writing by the Committee by the earlier of (x) the date on which a quarter of the performance cycle has elapsed or (y) the date which is ninety (90) days after the commencement of the performance cycle, and in any event while the performance relating to the performance objectives remain substantially uncertain. Prior to the vesting, payment, settlement or lapsing of any restrictions with respect to any performance award that is intended to constitute performance-based compensation made to a participant who is subject to Section 162(m) of the Code, the Committee shall certify in writing that the applicable performance objectives have been satisfied to the extent necessary for the award to qualify as performance-based compensation.

The Compensation Committee may require or permit a participant to defer the receipt of cash or shares pursuant to certain awards under the Restated 2004 Plan.

Effect of Certain Transactions and Changes in Capitalization

Unless otherwise provided in an award agreement, in the event that a transaction that constitutes a change in control of Aleris as defined in the Restated 2004 Plan occurs and either a participant s employment with Aleris is terminated without cause, or the participant voluntarily resigns for good reason within the three months prior to, or the 24 months following, a change in control, then (i) outstanding options, stock appreciation rights, stock units, restricted stock and restricted stock units may vest and (ii) outstanding performance units and performance shares may vest as if performance objectives were met at the maximum target level.

Furthermore, unless otherwise provided by the Compensation Committee, if a participant s employment with Aleris is terminated without cause, or the participant voluntarily resigns for good reason within the three months prior to, or the 24 months following, a change in control, each option and stock appreciation right held by the participant that was exercisable as of the date of his or her termination of employment or service remains exercisable for a period ending not before the earlier of (x) the first anniversary of the termination of the participant s employment or service or (y) the expiration of the stated term of the stock options or stock appreciation rights, notwithstanding any shorter period set forth in the agreement evidencing the option or stock appreciation right.

In the event of a change in capitalization as defined in the Restated 2004 Plan, adjustments and other substitutions will be made to the Restated 2004 Plan by the Compensation Committee, including adjustments to the maximum number of shares subject to the Restated 2004 Plan, the number and class of shares subject to awards and, if applicable, the exercise price and any performance objectives.

Federal Tax Consequences

The following is a summary of the United States Federal income tax consequences of participating in the Restated 2004 Plan. This discussion does not address all aspects of the U.S. Federal income tax consequences of participating in the Plan that may be relevant to an award holder in light of his or her personal investment or tax circumstances and does not discuss any state, local or foreign tax consequences of participating in the Restated 2004 Plan. This section is based on the Internal Revenue Code, its legislative history, existing and proposed regulations under the Code, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

- *Incentive Stock Options*. An award holder will not be subject to tax upon the grant of an incentive stock option or upon the exercise of an ISO. However, the excess of the fair market value of the Shares on the date of exercise over the exercise price paid will be included in alternative minimum taxable income. Whether an award holder is subject to the alternative minimum tax will depend on his or her particular circumstances. An award holder s basis in the shares received will be equal to the exercise price paid, and the holding period in such Shares will begin on the day following the date of exercise.

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If the award holder disposes of the shares on or after the later of (i) the second anniversary of the date of grant of the ISO and (ii) the first anniversary of the date of exercise of the ISO (statutory holding period), he or she will recognize a capital gain or loss in an amount equal to the difference between the amount realized on such disposition and the basis in the shares. Such capital gain or loss will be subject to the rules set forth under *Disposition of Shares* below.

If an award holder disposes of the shares before the end of the statutory holding period, he or she will have engaged in a disqualifying disposition. As a result, he or she will be subject to tax:

1) on the excess of the fair market value of the shares on the date of exercise (or the amount realized on the disqualifying disposition, if less) over the exercise price paid, as ordinary income, and

2) on the excess, if any, of the amount realized on such disqualifying disposition over the fair market value of the shares on the date of exercise, as capital gain. Such capital gain will be subject to the rules set forth under *Disposition of Shares* below.

If the amount an award holder realizes from a disqualifying disposition is less than the exercise price paid (i.e., the basis) and the loss sustained upon such disposition would otherwise be recognized, no ordinary income from such disqualifying disposition will be recognized and instead will recognize a capital loss. In the event of a disqualifying disposition, the amount recognized as ordinary income is generally deductible by us or one of our subsidiaries, subject to any deduction limitation under section 162(m).

The current position of the Internal Revenue Service is that income tax withholding and FICA and FUTA taxes (employment taxes) do not apply upon the exercise of an ISO or upon any subsequent disposition, including a disqualifying disposition, of shares acquired pursuant to the exercise of the ISO.

- *Nonstatutory Stock Options*. An award holder will not be subject to tax upon the grant of an option which is not intended to be (or does not qualify as) an ISO. Upon exercise of a nonstatutory stock option, or NSO, an amount equal to the excess of the fair market value of the shares acquired on the date of exercise over the exercise price paid is taxable to the award holder as ordinary income, and such amount is generally deductible by us or one of our subsidiaries, subject to any deduction limitation under section 162(m). This amount of income will be subject to income tax withholding and employment taxes. The basis in the shares received will equal the fair market value of the shares on the date of exercise, and the holding period in such shares will begin on the day following the date of exercise.

- *Stock Appreciation Rights*. An award holder will not be subject to tax upon the grant of a stock appreciation right. Upon exercise of a stock appreciation right, an amount equal to the cash and/or the fair market value (measured on the date of exercise) of any shares received will be taxable as ordinary income, and such amount generally will be deductible by us or one of our subsidiaries, subject to any deduction limitation under section 162(m). This amount of income will be subject to income tax withholding and employment taxes.

- *Restricted Stock*. An award holder will not be subject to tax upon receipt of an award of shares subject to forfeiture conditions and transfer restrictions (restrictions) under the Plan. Unless a participant who receives an award of restricted common stock makes an election under Section 83(b) of the Code as described below, upon lapse of the restrictions, the award holder will recognize ordinary income equal to the fair market value of the shares on the date of lapse (less any amount he or she may have paid for the shares), and such income will be subject to income tax withholding and employment taxes. Also, such amount will generally be deductible by us or one of our subsidiaries, subject to any deduction limitation under section 162(m). The basis in the shares received will be equal to the fair market value of the shares on the date the restrictions lapse, and the holding period in such shares begins on the day after the restrictions lapse. If any dividends are paid to the award holder on such shares prior to the lapse of the restrictions, they will be includible in his or her income during the restricted period as additional compensation (and not as dividend income) and will be subject to income tax withholding and employment taxes. If the Compensation Committee in its sole discretion permits a participant to make a Section 83(b) election, the participant will recognize ordinary income on the date the shares are awarded. The amount of ordinary income required to be recognized is an amount equal to the excess, if any, of the fair market value of the shares on the date of award over the amount, if any, paid for such shares. In such case, the participant will not be required to recognize additional ordinary income when the shares vest.

- *Restricted Stock Units/Performance Awards*. An award holder will not be subject to tax upon the grant of a restricted stock unit or performance award. Upon vesting of the restricted stock unit or performance award, the fair market value of the shares covered by the award on the vesting date will be subject to employment taxes. Upon distribution of the cash and/or shares underlying the restricted stock units or performance awards, the award holder will recognize as ordinary income an amount equal to the cash and/or fair market value (measured on the distribution date) of the shares received, and such amount will generally be deductible by us or one of our subsidiaries, subject to any deduction limitation under section 162(m). This amount of income will generally be subject to income tax withholding on the date of distribution. The basis in any shares received will be equal to the fair market value of the shares on the date of distribution, and your holding period in such shares will begin on the day following the date of distribution. If any dividend equivalent amounts are paid, they will be includible in ordinary income as additional compensation (and not as dividend income) and will be subject to income and employment tax withholding.

- *Disposition of Shares*. Unless stated otherwise above, upon the subsequent disposition of shares acquired under any of the preceding awards, the award holder will recognize capital gain or loss based upon the difference between the amount realized on such disposition and the basis in the shares, and such amount will be long-term capital gain or loss if such shares were held for more than 12 months. Capital gain is generally taxed at a maximum rate of 15% if the property is held more than one year.

- *Withholding*. Aleris has the right to deduct from any cash payment to be made to the participant, pursuant to the Restated 2004 Plan or otherwise an amount equal to the amount of the minimum statutory amount to satisfy all federal, state or local taxes, domestic or foreign, required by law or regulation to be withheld, based on the tax rates then in effect or the tax rates that we reasonably believe will be in effect for the applicable tax year, and the Compensation Committee may provide in an award agreement at the time of grant or thereafter, that the participant may elect to reduce the number of shares of common stock deliverable pursuant to the Restated 2004 Plan by an amount which would have a fair market value equal to the amount of the such taxes. The Compensation Committee may permit participants to satisfy all or a portion of the minimum statutory withholding requirement by having shares withheld from the award.

- *Performance-Based Exception*. Under section 162(m) of the Code, Aleris may deduct, for federal income-tax purposes, compensation paid to its chief executive officer and four other most highly compensated executive officers only to the extent that such compensation does not exceed $1,000,000 for any such individual during any year, excluding compensation that qualifies as performance-based compensation. The Restated 2004 Plan is intended to include features necessary for income from stock options and other performance-based awards under the Restated 2004 Plan to qualify as performance-based compensation. To allow Aleris to so qualify such compensation, Aleris is seeking stockholder approval of the Restated 2004 Plan and the material terms of the performance objectives of the performance awards as well as its awards of options.

Effect on Earnings

The following summarizes the effect on Aleris s earnings of the grant of awards under the Restated 2004 Plan. Grants of stock options will result in a charge to pretax earnings on the date of grant equal to the value of the options using the fair-value-based method, which is recognized over the stock options vesting period. Grants

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of stock appreciation rights generally result in a pretax charge over the vesting period using the fair-value-based method at the date of grant, and is adjusted for changes in the fair value in the period in which the change occurs. Grants of time-based restricted stock result in a charge to pretax earnings over the restriction period for the fair market value of the stock at the date of grant. Grants of performance shares or units result in a charge to pretax earnings over the performance period for the fair market value of the stock on the date of the grant. Changes based on management s estimates of the likelihood of satisfying the performance criteria are recorded in the period in which such change occurs.

Awards For Non-U.S. Employees

To comply with the laws in other countries in which Aleris or its subsidiaries operate or may operate or have employees, directors, or third-party service providers, the Compensation Committee may establish sub-plans under the Restated 2004 Plan and modify the terms of awards made to such employees and directors.

Termination, Amendment and Other Terms of the Restated 2004 Plan

Options and stock appreciation rights are not transferable except as provided by will or the laws of descent and distribution or a qualified domestic relations order, or as the Compensation Committee may determine at or after grant. Restricted stock, restricted stock units and performance awards are not transferable until their restrictions lapse. Aleris s Board of Directors has the right to terminate or amend the Restated 2004 Plan at any time so long as doing so does not impair or adversely alter any outstanding awards or shares acquired under the Restated 2004 Plan without the award holder s consent or as otherwise necessary to comply with section 409A of the Code. Notwithstanding the foregoing, Aleris s Board of Directors may not amend the Restated 2004 Plan absent stockholder approval to the extent such approval is required by applicable law, regulation or stock exchange requirement. In the absence of any earlier termination, the Restated 2004 Plan will terminate on the tenth anniversary of the date it was first adopted by the Board of Directors on September 23, 2004.

Restated 2004 Plan Benefits

No awards or benefits have been granted under the pending Restated 2004 Plan. Future benefits under the pending Restated 2004 Plan are not currently determinable. However, the following table shows the benefits actually awarded in fiscal 2005 to the individuals below as if the Restated 2004 Plan were in effect.

New Plan Benefits

Restated 2004 Plan

Name and Position	Number of Options	Restricted Stock	Performance Shares(1)
Steven J. Demetriou	0	25,000	60,535
Michael D. Friday	0	5,000	13,292
John J. Wasz	0	5,000	13,161
Christopher R. Clegg	0	3,500	8,975