

IMCO RECYCLING INC  
Form S-4/A  
October 21, 2004  
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As filed with the Securities and Exchange Commission on October 21, 2004

Registration No. 333-117548

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Amendment No. 2

to

## Form S-4

# REGISTRATION STATEMENT

*UNDER THE SECURITIES ACT OF 1933*

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## IMCO Recycling Inc.

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3341**  
(Primary Standard Industrial  
Classification Code Number)

**75-2008280**  
(I.R.S. Employer  
Identification No.)

5215 North O Connor Blvd., Suite 1500

Central Tower at Williams Square

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Irving, Texas 75039

(972) 401-7200

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Jeffrey S. Mecom

Vice President, Legal and Secretary

IMCO Recycling Inc.

5215 North O Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(972) 401-7200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

*Copies to:*

Marc H. Folladori

Fulbright & Jaworski L.L.P.

1301 McKinney, Suite 5100

Houston, Texas 77010

(713) 651-5151

Christopher R. Clegg

Vice President, General Counsel and  
Secretary

Commonwealth Industries, Inc.

PNC Plaza 19<sup>th</sup> Floor

500 West Jefferson Street  
Louisville, Kentucky 40202

(502) 589-8100

Eric M. Krautheimer

Sullivan & Cromwell LLP

125 Broad Street

New York, NY 10004

(212) 558-4000

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effectiveness of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

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**The information in this joint proxy statement/prospectus is not complete and may be changed. IMCO may not sell these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to completion, dated October 21, 2004**

**JOINT PROXY STATEMENT/PROSPECTUS**

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

IMCO Recycling Inc. and Commonwealth Industries, Inc. have agreed to the terms of a merger combining these companies and their management. The merger will give IMCO and Commonwealth approximately equal representation on the combined company's board of directors and Commonwealth's stockholders will own approximately 46% and IMCO's stockholders will own approximately 54% of the combined company upon completion of the merger. Before we can complete the merger, we must obtain the approval of both companies' stockholders as described herein. We intend to change IMCO's name to Aleris International, Inc. promptly following the merger.

In the merger, Commonwealth stockholders will be entitled to receive 0.815 of a share of IMCO common stock for each share of Commonwealth common stock that they own at the effective time of the merger. This exchange ratio is fixed and will not be adjusted to reflect increases or decreases in stock prices prior to the closing. As an example, on October 20, 2004, the closing price of IMCO common stock on the New York Stock Exchange was \$10.62 which, based on the exchange ratio of 0.815, would result in an equivalent share price as of that date for the shares of Commonwealth common stock of \$8.66 (on June 16, 2004 the closing price of the IMCO common stock was \$13.43, the equivalent share price of Commonwealth common stock was \$10.95 and the aggregate equivalent price of the total number of shares to be received in the merger was \$177,174,000). Commonwealth stockholders are expected to receive an aggregate of approximately 13,192,405 shares of IMCO common stock in the merger, which will represent approximately 46% of the total number of outstanding shares of IMCO common stock upon completion of the merger. We urge Commonwealth and IMCO stockholders to obtain current market quotations for both the Commonwealth common stock and the IMCO common stock. Commonwealth stockholders are not entitled to dissenters' rights of appraisal in connection with the merger.

Each company is scheduled to hold a special meeting of its stockholders on \_\_\_\_\_, 2004 to consider and vote on the proposals described in this joint proxy statement/prospectus. **Commonwealth stockholders will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Commonwealth common stock for IMCO common stock in the merger, except with respect to cash received in lieu of a fractional share of IMCO common stock.**

This joint proxy statement/prospectus contains answers to frequently asked questions and a summary description of the merger, followed by a more detailed discussion of the merger and related matters. **In particular, we urge you to consider the matters discussed under Risk Factors beginning on page 27 of this joint proxy statement/prospectus.**

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This joint proxy statement/prospectus is dated \_\_\_\_\_, 2004, and is first being mailed to IMCO and Commonwealth stockholders on or about \_\_\_\_\_, 2004.

**Your vote is very important.** If you do not submit your proxy over the Internet, by telephone or by completing and returning the enclosed proxy card, or if you do not instruct your broker how to vote any shares held for you in \_\_\_\_\_ street name \_\_\_\_\_, your shares will not be voted at your special meeting. An abstention or broker non-vote by a Commonwealth stockholder will have the effect of a vote against adoption of the merger agreement.

See the notices of the special meetings elsewhere in this joint proxy statement prospectus for information on the dates, times, and places of the special meetings.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

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**REFERENCES TO ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about IMCO and Commonwealth from documents that each company has filed with the Securities and Exchange Commission but that have not been included in or delivered with this joint proxy statement/prospectus. For a listing of documents incorporated by reference into this joint proxy statement/prospectus, please see the section entitled "Where You Can Find More Information" beginning on page 128 of this joint proxy statement/prospectus.

**IMCO will provide you with copies of this information relating to IMCO, without charge, if you request it in writing or by telephone from:**

IMCO Recycling Inc.

5215 North O'Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(972) 401-7200

Attention: Secretary

**In order for you to receive timely delivery of the documents in advance of the IMCO special meeting, IMCO must receive your request no later than \_\_\_\_\_, 2004.**

**Commonwealth will provide you with copies of this information relating to Commonwealth, without charge, if you request it in writing or by telephone from:**

Commonwealth Industries, Inc.

PNC Plaza 19<sup>th</sup> Floor

500 West Jefferson Street

Louisville, Kentucky 40202-2823

Telephone: (502) 589-8100

Attention: Secretary

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**In order for you to receive timely delivery of the documents in advance of the Commonwealth special meeting, Commonwealth must receive your request no later than , 2004.**

IMCO has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to IMCO, and Commonwealth has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Commonwealth. IMCO and Commonwealth have both contributed to information relating to the merger.

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**IMCO Recycling Inc.**

**5215 North O Connor Blvd., Suite 1500**

**Central Tower at Williams Square**

**Irving, Texas 75039**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD \_\_\_\_\_, 2004**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of IMCO Recycling Inc., a Delaware corporation ( "IMCO" ), will be held at \_\_\_\_\_ a.m., local time, on \_\_\_\_\_, 2004, at the Central Tower at Williams Square, Twenty-Sixth Floor, La Cima Club, 5215 North O Connor Blvd., Irving, Texas. The special meeting will be held for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of shares of IMCO common stock pursuant to and in accordance with the Agreement and Plan of Merger, dated as of June 16, 2004, among IMCO, Silver Fox Acquisition Company, an indirect wholly owned subsidiary of IMCO ( "Merger Sub" ), and Commonwealth Industries, Inc. ( "Commonwealth" ). As further described in this joint proxy statement/prospectus, the merger agreement provides for the merger of Merger Sub with and into Commonwealth pursuant to which each outstanding share of Commonwealth common stock (other than shares held in the treasury of Commonwealth or owned by Merger Sub, IMCO or any direct or indirect wholly owned subsidiary of IMCO or Commonwealth immediately prior to the time of the merger) will be converted into the right to receive 0.815 of a share of IMCO common stock at the time of the merger.
2. To consider and vote upon a proposal to amend IMCO's certificate of incorporation to increase the number of authorized shares of capital stock of IMCO from 48 million to 88 million and increase the number of authorized shares of IMCO common stock from 40 million to 80 million.
3. To consider and vote on a proposal to approve the IMCO Recycling Inc. 2004 Equity Incentive Plan.
4. To consider and vote on a proposal to approve the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan.
5. To consider and vote on a proposal to adjourn or postpone the meeting, if necessary, to permit further solicitation of proxies, if proposed by the board of directors of IMCO.
6. To consider and take action on any other business that may properly come before the special meeting, or any reconvened meeting following an adjournment thereof.



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**The board of directors of IMCO has carefully considered the terms of the merger agreement and the merger and believes that the merger is in the best interests of IMCO and its stockholders. The board of directors has unanimously approved the stock issuance and unanimously recommends that stockholders vote FOR approval of the stock issuance.**

**The board of directors of IMCO has unanimously approved the amendment to IMCO's certificate of incorporation, the IMCO Recycling Inc. 2004 Equity Incentive Plan and the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan, and unanimously recommends that stockholders vote FOR the approval of the amendment to IMCO's certificate of incorporation, FOR the approval of the 2004 Equity Incentive Plan and FOR the approval of the 2004 Annual Incentive Compensation Plan. The merger is not contingent on the approval of any of these proposals.**

The board of directors of IMCO has fixed the close of business on October 14, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the IMCO special meeting or any reconvened meeting following an adjournment or postponement thereof. Only stockholders of record at the close

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of business on the record date are entitled to notice of and to vote at such meeting. A complete list of such stockholders will be available for examination at the IMCO special meeting and at IMCO's offices at 5215 North O'Connor Blvd., Suite 1500, Central Tower at Williams Square, Irving, Texas 75039 during ordinary business hours, after \_\_\_\_\_, 2004, for the examination by any such stockholder for any purpose germane to the special meeting.

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**It is important that your stock be represented at the special meeting regardless of the number of shares you hold. Whether or not you plan to attend the special meeting, please submit your proxy promptly over the Internet or by telephone in accordance with the instructions on the accompanying proxy card, or by completing, signing, dating and returning your proxy card in the enclosed prepaid envelope. If you are a registered stockholder, you may vote over the Internet or by telephone by following the instructions on the accompanying proxy card. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote over the Internet or by telephone. Until your proxy is voted, you can revoke it at any time by a later dated proxy or by attending the special meeting and voting in person. Additionally, if you voted by telephone or Internet and want to change your vote by telephone or Internet, by submitting alternative voting instructions prior to 11:59 p.m. on the day prior to the IMCO special meeting. See Voting by Proxy beginning on page 42. The proxy is revocable at any time prior to its use at the special meeting.**

By order of the Board of Directors,

Jeffrey S. Mecom

*Vice President, Legal*

*and Secretary*

, 2004

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**Commonwealth Industries, Inc.**

**PNC Plaza 19<sup>th</sup> Floor**

**500 West Jefferson Street**

**Louisville, Kentucky 40202-2823**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD \_\_\_\_\_, 2004**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Commonwealth Industries, Inc., a Delaware corporation ( Commonwealth ), will be held at \_\_\_\_\_ a.m., local time, on \_\_\_\_\_, 2004, at the PNC Plaza, 29th Floor, The Jefferson Club, 500 West Jefferson Street, Louisville, Kentucky. The special meeting will be held for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of June 16, 2004, among IMCO Recycling Inc. ( IMCO ), Silver Fox Acquisition Company, an indirect wholly owned subsidiary of IMCO ( Merger Sub ), and Commonwealth. As further described in this joint proxy statement/prospectus, the merger agreement provides for the merger of Merger Sub with and into Commonwealth pursuant to which each outstanding share of Commonwealth common stock (other than shares held in the treasury of Commonwealth or owned by Merger Sub, IMCO or any direct or indirect wholly owned subsidiary of IMCO or Commonwealth immediately prior to the time of the merger) will be converted into the right to receive 0.815 of a share of IMCO common stock at the time of the merger.
2. To consider and vote on a proposal to adjourn or postpone the meeting, if necessary, to permit further solicitation of proxies, if proposed by the board of directors of Commonwealth.
3. To consider and take action on any other business that may properly come before the special meeting, or any reconvened meeting following an adjournment thereof.

**The board of directors of Commonwealth has carefully considered the terms of the merger agreement and the merger and believes that the merger is advisable and fair to and in the best interests of Commonwealth and its stockholders. The board of directors has unanimously approved the merger agreement and the merger and unanimously recommends that stockholders vote FOR adoption of the merger agreement.**

The board of directors of Commonwealth has fixed the close of business on October 14, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Commonwealth special meeting or any reconvened meeting following an adjournment or postponement thereof. Only stockholders of record at the close of business on such record date are entitled to notice of and to vote at such meeting. A complete list of such stockholders will be available for examination at the Commonwealth special meeting and at Commonwealth's offices at PNC Plaza 19<sup>th</sup> Floor, 500 West Jefferson Street, Louisville, Kentucky 40202-2823, during ordinary business hours, after \_\_\_\_\_, 2004, for the examination by any such stockholder for any purpose germane to the special meeting.

**It is important that your stock be represented at the special meeting regardless of the number of shares you hold. Whether or not you plan to attend the special meeting, please submit your proxy promptly over the Internet or by telephone in accordance with the instructions on the accompanying proxy card, or by completing, signing, dating and returning your proxy card in the enclosed prepaid envelope. If you are a registered stockholder, you may vote over the Internet or by telephone by following the instructions on the accompanying proxy card. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote over the Internet or by telephone. Until your proxy is voted, you can revoke it at any time by a later dated proxy or by attending the special meeting and voting in person. Additionally, if you voted by telephone or Internet and want to change your vote by telephone or Internet, by submitting alternative voting instructions prior**

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to 11:59 p.m. on the day prior to the Commonwealth special meeting. See **Voting by Proxy** beginning on page 42. The proxy is revocable at any time prior to its use at the special meeting.

**You should not return certificates for Commonwealth common stock with the enclosed proxy. After the merger is completed, you will be sent instructions regarding the surrender of your stock certificates.**

By order of the Board of Directors,

Christopher R. Clegg

*Vice President, General Counsel*

*and Secretary*

, 2004

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Annex C	Opinion of Morgan Stanley & Co. Incorporated
Annex D	Amendment to IMCO Bylaws
Annex E	Amendment to IMCO's Certificate of Incorporation
Annex F	IMCO Recycling Inc. 2004 Equity Incentive Plan
Annex G	IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan

**No person is authorized to give any information or to make any representation with respect to the matters described in this joint proxy statement/prospectus other than those contained herein or in the documents incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been authorized by IMCO or Commonwealth. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy the securities offered by this joint proxy statement/prospectus or a solicitation of a proxy in any jurisdiction where, or to any person whom, it is unlawful to make such an offer or solicitation. Neither the delivery hereof nor any distribution of securities made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of IMCO or Commonwealth since the date hereof or that the information contained or incorporated by reference in this joint proxy statement/prospectus is correct as of any time subsequent to the date hereof.**



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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

*The following questions and answers briefly address some commonly asked questions about the special meetings and the merger. They may not include all the information that is important to you. We urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents we refer to in this joint proxy statement/prospectus. In addition, the merger agreement is attached to this joint proxy statement/prospectus as Annex A. We encourage you to read the merger agreement carefully and in its entirety. The merger agreement is the legal document setting forth the parties' rights with respect to the merger.*

***The Merger***

**Q1: Why am I receiving this proxy statement?**

A1: IMCO and Commonwealth have agreed to the combination of IMCO and Commonwealth under the terms of the merger agreement which is described in this joint proxy statement/prospectus. This joint proxy statement/prospectus contains important information about the merger and the special meetings. We are sending you this joint proxy statement/prospectus to ask IMCO stockholders to approve the issuance of IMCO shares pursuant to and in accordance with the merger agreement, among other matters, and to ask Commonwealth stockholders to adopt the merger agreement.

**Q2: What will I receive in the merger?**

A2: If you are a Commonwealth stockholder, at the effective time of the merger, each outstanding share of your Commonwealth common stock will be converted into the right to receive 0.815 of a share of IMCO common stock. The number of shares of IMCO common stock is fixed and will not be adjusted based on increases or decreases in IMCO's stock price prior to completing the merger. You will receive cash in lieu of any fraction of a share of IMCO common stock that results following the exchange of your Commonwealth common stock. This cash amount will be determined by multiplying the fraction of an IMCO share by the average price of a share of IMCO common stock for the ten consecutive trading days ending immediately prior to the closing date of the merger and will be paid without interest. For example, if you own 100 shares of Commonwealth common stock and the average price of IMCO common stock as of the date of the merger is \$10.00, you will receive a total of 81 shares of IMCO common stock and \$5.00 in cash. If you are an IMCO stockholder, your shares of IMCO common stock will not be affected in the merger. Each outstanding share of IMCO common stock will remain outstanding as a share of IMCO common stock.

**Q3: Will the rights of a Commonwealth stockholder change as a result of the merger?**

A3: Yes. Through the date of the merger, IMCO stockholder rights will continue to be governed by IMCO's certificate of incorporation and bylaws and by the Delaware General Corporation Law (DGCL), and Commonwealth stockholder rights will continue to be governed by Commonwealth's certificate of incorporation and bylaws and by the DGCL. Upon completion of the merger, Commonwealth stockholders will become IMCO stockholders and their rights will then be governed by the certificate of incorporation and bylaws of IMCO. Please read carefully the summary of the material differences between the rights of IMCO stockholders and Commonwealth stockholders under "Comparison of Stockholders' Rights" beginning on page 109 of this joint proxy statement/prospectus.

**Q4: When do you expect to complete the merger?**

A4: IMCO and Commonwealth expect to complete the merger during the fourth quarter in 2004 and promptly following the special meetings. However, there can be no assurance that the merger will be completed at that time or at all.



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**Q5: Will Commonwealth stockholders be able to trade the IMCO common stock that they receive in the merger?**

A5: The shares of IMCO common stock issued in connection with the merger will be listed on the New York Stock Exchange under the symbol **IMR**, and will be freely tradable, unless you are an affiliate of Commonwealth on the date of the Commonwealth special meeting or an affiliate of IMCO after the merger. Commonwealth and IMCO expect to change IMCO's symbol on the New York Stock Exchange at the same time as IMCO's name is changed to Aleris International, Inc.

***Special Meetings; Votes Required***

**Q6: When and where are the special meetings?**

A6: The special meetings are expected to each take place on \_\_\_\_\_, 2004. The time and location of each special meeting is specified on the notices of the special meetings contained in this joint proxy statement/prospectus.

**Q7: What will happen at the special meetings?**

A7: At the Commonwealth special meeting, Commonwealth stockholders will vote on a proposal to adopt the merger agreement.

At the IMCO special meeting, IMCO stockholders will vote on the issuance of IMCO common stock to Commonwealth stockholders pursuant to and in accordance with the merger agreement. We cannot complete the merger unless, among other things, Commonwealth's stockholders adopt the merger agreement and IMCO's stockholders approve the stock issuance.

In addition, at the IMCO special meeting, IMCO stockholders will vote on a proposal to amend IMCO's certificate of incorporation to increase the authorized shares of IMCO's common stock from 40 million to 80 million and will vote on proposals to adopt the IMCO Recycling Inc. 2004 Equity Incentive Plan and to approve the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan and, if necessary, to adjourn or postpone the meeting to permit the further solicitation of proxies. **The approval of (i) the amendment to IMCO's certificate of incorporation to increase the authorized number of shares of IMCO common stock, (ii) the 2004 Equity Incentive Plan and (iii) the 2004 Annual Incentive Compensation Plan are not related to and are not necessary to permit completion of the merger; the completion of the merger is independent of the approval of these proposals.**

**Q8: Who is entitled to vote at the special meetings and how many shares can vote?**

A8: Commonwealth's stockholders of record as of the close of business on October 14, 2004 will be entitled to notice of and to vote at the Commonwealth special meeting. On the record date, Commonwealth had outstanding \_\_\_\_\_ shares of common stock, which constitute Commonwealth's only outstanding voting securities. Each Commonwealth stockholder is entitled to one vote for each share of Commonwealth common stock held as of the record date.

IMCO's stockholders of record as of the close of business on October 14, 2004 will be entitled to notice of and to vote at the IMCO special meeting. On the record date, IMCO had outstanding \_\_\_\_\_ shares of common stock, which constitute IMCO's only outstanding voting securities. Each IMCO stockholder is entitled to one vote on each proposal for each share of IMCO common stock held as of the record date.

**Q9: What vote is required?**

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A9: The affirmative vote of the holders of a majority of the outstanding shares of Commonwealth common stock entitled to vote at the Commonwealth special meeting is required to adopt the merger agreement.

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The approval of the IMCO share issuance pursuant to the merger agreement requires the affirmative vote of the holders of a majority of the total votes cast at the IMCO special meeting on this proposal in person or by proxy, so long as the total vote cast on the proposal exceeds 50% of the shares of common stock of IMCO outstanding.

The approval of the amendment to IMCO's certificate of incorporation to increase its authorized shares of common stock requires the affirmative vote of the holders of a majority of the outstanding shares of IMCO common stock. The proposals to approve IMCO's 2004 Equity Incentive Plan and its 2004 Annual Incentive Compensation Plan each require the approval of a majority of the votes cast at the IMCO special meeting on the proposal in person or by proxy, so long as the total vote cast on each such proposal exceeds 50% of the shares of common stock of IMCO outstanding.

**It is very important that you vote. The failure of a Commonwealth stockholder to vote on the proposal to adopt the merger agreement, the failure of an IMCO stockholder to vote on the proposal to amend IMCO's certificate of incorporation to increase its authorized shares of common stock, and abstentions on these two proposals, will have the effect of votes against those proposals.**

**Q10: What do I need to do to vote?**

A10: After carefully reading and considering the information contained in this proxy statement/prospectus, please submit your proxy by telephone or Internet in accordance with the instructions set forth in the enclosed proxy card, or fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the special meeting. See "Voting by Proxy" beginning on page 42. To ensure that we obtain your vote, please vote as instructed on your proxy card even if you currently plan to attend your special meeting in person.

The enclosed proxy card contains instructions for voting by telephone, Internet or mail. Please follow these instructions carefully. The proxies identified on the proxy card will vote the shares of which you are stockholder of record in accordance with your instructions. If you sign, date and return your proxy without giving specific voting instructions, the proxies will vote your shares FOR the proposals. If you do not return your proxy or vote in person, your shares will not be voted at your special meeting.

**Q11: How do I vote my shares if my shares are held in street name ?**

A11: You should vote this proxy in accordance with the instructions provided to you by your bank, broker or nominee. If your shares are held in a stock brokerage account, your broker will not vote your shares unless the broker receives appropriate instructions from you.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by the Internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the Internet or telephone by following the voting instructions enclosed with the proxy from the bank or brokerage firm. Votes directed by the Internet or telephone through such a program must be received by 11:59 p.m., E.T., on \_\_\_\_\_, 2004. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first obtain a signed and properly executed proxy from your bank, broker or nominee to vote your shares held in street name at the special meeting. Requesting a proxy prior to the deadlines described above will automatically cancel any voting directions you have previously given by the Internet or by telephone with respect to your shares. The Internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy instructions and to confirm that those instructions have been properly recorded.

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**Q12: What does IMCO's board of directors recommend?**

A12: IMCO's board of directors has unanimously approved the merger agreement and determined that the issuance of IMCO common stock in the merger, the amendment to IMCO's certificate of incorporation to increase the number of authorized shares of common stock of IMCO from 40 million to 80 million, the approval of the 2004 Equity Incentive Plan and the approval of the 2004 Annual Incentive Compensation Plan are in the best interests of IMCO, and unanimously recommends that IMCO stockholders approve the issuance of IMCO common stock pursuant to and in accordance with the merger agreement, the amendment to the IMCO certificate of incorporation to increase the number of authorized shares of common stock of IMCO, the 2004 Equity Incentive Plan and the 2004 Annual Incentive Compensation Plan. **Completion of the merger is not conditioned on approval of the proposals regarding the amendment to the certificate of incorporation and the approval of the incentive plans.**

**Q13: What does Commonwealth's board of directors recommend?**

A13: Commonwealth's board of directors has unanimously approved the merger agreement and determined that the transactions contemplated by the merger agreement are advisable and in the best interests of the Commonwealth stockholders. Commonwealth's board of directors unanimously recommends that Commonwealth stockholders adopt the merger agreement.

**Q14: May I change my vote after I have submitted a proxy by telephone, Internet, or by completing and mailing a proxy card?**

A14: Yes. You may change your vote at any time before your proxy is voted at the relevant special meeting. You can do this in several ways. You can send a written notice stating that you want to revoke your proxy, or you can complete and submit a new proxy card. If you choose either of these methods, you must submit your notice of revocation or your new proxy card to:

IMCO

c/o Mellon Investor Services LLC

telephone: 1-800-635-9270

Commonwealth

c/o National City Bank

telephone: 1-800-622-6757

You can also change your vote by submitting a proxy at a later date by telephone or Internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked. You can also attend the applicable special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy; you must vote at the special meeting.

If you have instructed a bank, broker or nominee to vote your shares, you must follow the voting procedures received from your bank, broker or nominee to change your vote.

**Q15: What is a broker non-vote?**

A15: A broker non-vote occurs when a bank, broker or other nominee submits a proxy that indicates that the broker does not vote for some or all of the proposals, because the broker has not received instructions from the beneficial owners on how to vote on these proposals and does not have discretionary authority to vote in the absence of instructions.

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**Q16: Will broker non-votes or abstentions affect the results?**

A16: If you are an IMCO stockholder, broker non-votes will have no effect on the outcome of the proposals relating to the issuance of IMCO common stock pursuant to the merger agreement, or the approval of the 2004 Equity Incentive Plan or the 2004 Annual Incentive Compensation Plan, so long as the total votes cast on each of these proposals exceed 50% of the shares of IMCO common stock outstanding. Abstentions on these proposals will be counted as votes cast, and will have the effect of negative votes. In addition, broker non-votes and abstentions will have no effect on the outcome of any proposal to adjourn or postpone the special meeting, if necessary, to permit further solicitation of proxies. Broker non-votes and abstentions would not be counted as votes cast on this proposal, if any. Broker non-votes and abstentions, however, will have the same effect as a vote against the proposal relating to the amendment to IMCO's certificate of incorporation. If you are a Commonwealth stockholder, broker non-votes and abstentions will have the same effect as a vote against the proposal to adopt the merger agreement. If your shares are held in street name, we urge you to instruct your bank, broker or nominee on how to vote your shares for those proposals on which you are entitled to vote.

**Q17: Should I submit a proxy even if I plan to attend the meeting in person?**

A17: Yes. To ensure that your vote is accounted for, please submit your proxy even if you are planning to attend the applicable special meeting.

***General***

**Q18: Should I send in my Commonwealth stock certificates now?**

A18: No. Promptly after closing, Commonwealth stockholders will be sent a letter of transmittal. After you return that letter, together with your Commonwealth stock certificates, to the exchange agent, Mellon Investor Services LLC, you will receive stock certificates representing the shares of IMCO common stock that you are entitled to and cash in lieu of a fraction of an IMCO share.

**Q19: If I have more questions about the merger or the two companies, where can I find answers?**

A19: In addition to reading this document, its annexes, and the documents we have incorporated in this document by reference, you can find more information about the merger or about the two companies in our companies' filings with the Securities and Exchange Commission or IMCO's filings with the New York Stock Exchange. Please see "Where You Can Find More Information" beginning on page 128 of this joint proxy statement/prospectus. If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card or voting instructions, you should contact:

if you are an IMCO stockholder:

Jeffrey S. Mecom

IMCO Recycling Inc.

5215 North O'Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, TX 75039

if you are a Commonwealth stockholder:

Christopher R. Clegg

Commonwealth Industries, Inc.

PNC Plaza 19<sup>th</sup> Floor

500 West Jefferson Street

Louisville, Kentucky 40202-2823



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Telephone: (972) 401-7200

Telephone: (502) 589-8100

or in lieu of IMCO and Commonwealth:

Georgeson Shareholder Communications, Inc.

17th Street, 10<sup>th</sup> Floor

New York, New York

Telephone:

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus, including material terms of the merger, and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, we urge you to carefully read this entire joint proxy statement/prospectus and the other documents to which we refer you. See **Where You Can Find More Information** beginning on page 128 of this joint proxy statement/prospectus.*

**The Companies**

**IMCO Recycling Inc.**

5215 North O Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(972) 401-7200

IMCO is a global leader in aluminum recycling and the production of specification alloys. It is also a recycler of zinc and a leading U.S. manufacturer of zinc oxide and zinc dust. IMCO offers its customers a wide range of metals recycling services and specification alloy products through its aluminum and zinc production facilities, which include both U.S. and international operations. Its aluminum recycling operations convert scrap and dross (a by-product of the aluminum melting process) and deliver the recycled aluminum in molten or ingot form. Its specification alloys operations purchase and convert aluminum scrap and other metals into molten or ingot form. Its specification alloys provide specific properties (including increased strength, formability and wear resistance), as specified by its customers for their particular applications. In addition, IMCO recycles zinc metal for use in the manufacture of galvanized steel and produces value-added zinc products, primarily zinc oxide and zinc dust, which are used in the vulcanization of rubber products, the production of corrosion-resistant paint, and in other specialty chemical applications. IMCO's recycling and alloy production network operates 26 strategically located production plants, 21 of which are located in the United States, two in Germany, and one in each of Brazil, Mexico and Wales.

**Silver Fox Acquisition Company**

5215 North O Conner Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(972) 401-7200

Silver Fox Acquisition Company is a corporation organized under the laws of the State of Delaware and an indirect wholly owned subsidiary of IMCO formed by IMCO for the sole purpose of effecting the merger. This is the only business of Silver Fox Acquisition Company.

**Commonwealth Industries, Inc.**

PNC Plaza 19<sup>th</sup> Floor

500 West Jefferson Street

Louisville, Kentucky 40202-2823

Telephone: (502) 589-8100

Commonwealth is one of North America's leading manufacturers of common alloy aluminum sheet, which it produces using the continuous casting process as well as the direct-chill rolling ingot casting process. Substantially all of its aluminum sheet products are tailored in response to specific customer orders, including the incorporation of value-added coatings. Commonwealth sells the majority of its products to end-users for use in building and construction products, transportation equipment and automotive parts, and consumer durables, as

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well as to distributors. Commonwealth has four production facilities located in the U.S. that provide common alloy sheet to all of the major aluminum consuming regions in the U.S. and Canada.

On July 30, 2004, Commonwealth sold Alflex Corporation, a significant subsidiary of Commonwealth, to Southwire Company for cash consideration of approximately \$64.0 million. Alflex's net sales accounted for approximately 11% of Commonwealth's total net sales for 2003. Commonwealth used \$50.0 million of the net proceeds from this sale to purchase a portion of its previously sold receivables under its receivables purchase agreement, \$6.2 million to repay amounts outstanding under its senior credit facility and the remainder was included in Commonwealth's cash on hand.

### **The Merger of IMCO and Commonwealth (page 45)**

#### *General*

On June 16, 2004, IMCO, Commonwealth and Merger Sub agreed to the terms of the merger agreement described in this joint proxy statement/prospectus and attached as *Annex A*. The merger agreement is the legal document that governs the merger, and we urge you to read that agreement carefully.

At the effective time of the merger, Merger Sub will merge with and into Commonwealth. Commonwealth will be the surviving company and become an indirect wholly owned subsidiary of IMCO. The separate corporate existence of Merger Sub will cease at the effective time of the merger. IMCO and Commonwealth expect that IMCO will change its name promptly following the merger to Aleris International, Inc.

*Each Commonwealth share will be converted into 0.815 of a share of IMCO (page 77)*

At the effective time of the merger, each outstanding share of Commonwealth common stock (other than any shares owned directly or indirectly by Commonwealth or IMCO) will be converted into the right to receive 0.815 of a share of IMCO common stock. The number of shares of IMCO common stock is fixed and will not be adjusted based on increases or decreases in IMCO's stock price.

IMCO shares are listed on the New York Stock Exchange under the symbol *IMR*, and Commonwealth shares are traded on the Nasdaq National Market under the symbol *CMIN*.

On June 16, 2004, the last full trading day prior to public announcement of the merger, the closing price of a share of IMCO common stock was \$13.43. The per share closing price for the Commonwealth common stock was \$8.60. The Commonwealth common stock had an implied equivalent price per share of \$10.95 based on the closing price of the IMCO common stock and the exchange ratio of 0.815. On October 20, 2004, the closing prices of the IMCO shares and the Commonwealth shares were \$10.62 and \$8.59, respectively, and the equivalent price per share of Commonwealth common stock, based on the exchange ratio of 0.815, was \$8.66.

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Because the exchange ratio is fixed under the merger agreement and neither IMCO nor Commonwealth has the right to terminate the merger agreement based solely on changes in either party's stock price, **the market price of the IMCO common stock that Commonwealth stockholders receive in the merger may vary significantly from its current price and from its price on the date of the merger agreement.** You should obtain current market quotations for the shares of both companies from a newspaper, the Internet or your broker.

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The table below shows the per share closing prices of IMCO common stock and Commonwealth common stock, and the pro forma equivalent price per share of Commonwealth common stock at the close of regular trading on June 16, 2004, the last trading day before our public announcement of the merger, and October 20, 2004, the most recent trading day for which that information was available prior to the mailing of this document.

<u>Date</u>	<u>IMCO Closing Price</u>	<u>Commonwealth</u>	<u>Commonwealth Pro</u>
		<u>Closing Price</u>	<u>Forma Equivalent (a)</u>
June 16, 2004	\$ 13.43	\$ 8.60	\$ 10.95
October 20, 2004	\$ 10.62	\$ 8.59	\$ 8.66

- (a) The pro forma equivalent per share price of Commonwealth common stock is calculated by multiplying the IMCO closing price by the exchange ratio of 0.815.

The table below shows the implied equivalent share price of Commonwealth common stock based on a range of hypothetical prices of IMCO common stock. This table is for illustrative purposes only, and the actual prices at which shares of IMCO common stock may trade between the date of this document and the closing of the merger and thereafter may be above or below the range set forth below.

<u>Hypothetical Price of IMCO Common Stock</u>	<u>Implied Equivalent Share Price of Commonwealth Common Stock</u>
\$ 9.50	\$7.74
\$10.00	\$8.15
\$10.50	\$8.56
\$11.00	\$8.97
\$11.50	\$9.37
\$12.00	\$9.78

No fractional shares of IMCO common stock will be issued in the merger and cash will be paid in lieu of a fraction of a share. The amount of cash paid will be an amount equal to the resulting fraction multiplied by the average of the per share closing prices on the New York Stock Exchange of shares of IMCO common stock during the ten consecutive trading days ending on (and including) the trading day immediately preceding the closing date of the merger and will be paid without interest.

*Treatment of Commonwealth Stock Options and Plans (page 78)*

Pursuant to separate agreements, the vesting of all stock options awarded to Steven J. Demetriou, Michael D. Friday, Christopher R. Clegg and Sean M. Stack (and John Wasz, but only with respect to those options granted to him in September 2004) under Commonwealth's 1997 Equity Incentive Plan, as amended and restated, will not accelerate as a result of the merger. These options will remain outstanding following the merger and will be subject to the same terms, conditions and vesting periods as before the merger. All other options outstanding under Commonwealth's 1995 Stock Incentive Plan, as amended and restated, and its 1997 Stock Incentive Plan, whether or not exercisable and whether or not vested at the effective time of the merger, will be fully vested and be fully exercisable upon, and shall remain outstanding following the effective time of the merger in accordance with the terms of the plans under which they were issued. Each option will be exercisable for and represent the right to acquire that whole number of shares of IMCO common stock, rounded down to the nearest whole share, equal to the number of shares of Commonwealth common stock subject to that option immediately prior to the effective time of the merger, multiplied by

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0.815. The exercise price per share of IMCO common stock will be an amount equal to the exercise price per share of Commonwealth common stock subject to the option in effect immediately prior to the effective time of the merger, divided by 0.815. From and after the effective time of the merger, each option will be exercisable, except as described above, on the same terms and conditions as were applicable under the applicable Commonwealth stock incentive plan and the applicable option agreement immediately prior to the effective time of the merger.

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### *Fairness Opinion of IMCO's Financial Advisor (page 50)*

IMCO's board of directors received a written opinion, dated June 16, 2004, from its financial advisor, Citigroup Global Markets Inc., to the effect that, as of the date of the opinion and subject to the factors, assumptions, qualifications and limitations set forth therein, the exchange ratio in the merger was fair to IMCO from a financial point of view. This opinion is attached to this joint proxy statement/prospectus as *Annex B*. We encourage you to read this opinion carefully to understand the assumptions made, procedures followed, matters considered and limitations of the scope of the review undertaken. **Citigroup's opinion was provided to IMCO's board of directors in connection with its evaluation of the exchange ratio, does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how any such stockholder should vote in connection with the merger or the issuance of IMCO common stock pursuant to and in accordance with the merger agreement.**

### *Fairness Opinion of Commonwealth's Financial Advisor (page 58)*

In connection with the proposed merger, Commonwealth's financial advisor, Morgan Stanley & Co. Incorporated, delivered a written opinion, dated June 16, 2004, to Commonwealth's board of directors as to the fairness, from a financial point of view, of the merger consideration to the holders of Commonwealth common stock. The full text of Morgan Stanley's written opinion is attached to this joint proxy statement/prospectus as *Annex C*. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the scope of the review undertaken. **Morgan Stanley's opinion was provided to Commonwealth's board of directors in connection with its evaluation of the merger consideration, does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote in connection with the merger or the issuance of IMCO common stock pursuant to and in accordance with the merger agreement.**

### **Directors and Management of IMCO Following the Merger (page 92)**

Following the merger, the board of directors of IMCO will consist of nine members. Steven Demetriou, currently Commonwealth's president, chief executive officer and a member of the Commonwealth board, will be elected as chairman of the board and chief executive officer of IMCO, four other directors will come from the existing Commonwealth board and four other directors will come from the existing IMCO board.

### **Shares Owned by IMCO and Commonwealth Directors and Executive Officers following the Merger (page 40)**

At the close of business on the record date for the IMCO special meeting, directors and executive officers of IMCO and their affiliates were entitled to vote approximately % of the shares of IMCO common stock outstanding on that date.



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At the close of business on the record date for the Commonwealth special meeting, directors and executive officers of Commonwealth and their affiliates were entitled to vote approximately % of the shares of Commonwealth common stock outstanding on that date.

### **Interests of Directors and Executive Officers in the Merger (page 66)**

In considering the recommendation of the Commonwealth board of directors, you should be aware that certain members of Commonwealth's management and the Commonwealth board of directors have interests in the transaction that are or may be different from, or in addition to, your interests as a Commonwealth stockholder. These interests include, among other things, the following:

Under the terms of the merger agreement, Mr. Demetriou, currently Commonwealth's president and chief executive officer and a member of the board of directors of Commonwealth, who will be appointed chief executive officer and chairman of the board of IMCO after the merger, and four other members of the Commonwealth board, Messrs. C. Frederick Fetterolf, Larry E. Kittelberger, Paul E. Lego and John E. Merow, will be appointed directors of IMCO after the merger;

Commonwealth option holders (a group which includes many officers and directors of Commonwealth) will have all of their stock options vest at the effective time of the merger. However, options held by Messrs. Demetriou, Friday, Clegg and Stack (and Mr. Wasz, but only with respect to those options granted to him in September 2004) will not vest at that time and will remain subject to their usual vesting schedule;

Under the terms of the severance agreements between Commonwealth and certain of its officers, if an officer's employment with Commonwealth (or its successor) is terminated during the two year period following the merger, that officer will be entitled to severance benefits, including excise tax gross-up payments. See *The Merger Certain Persons May Have Interests in the Merger that are Different from Stockholders Interests Generally Commonwealth Severance Agreements* on page 67;

Under the merger agreement, IMCO has agreed to indemnify and hold harmless all past and present officers and directors of Commonwealth for matters existing or occurring at or prior to the effective time of the merger and to advance litigation expenses incurred by these officers and directors in connection with these matters;

For a period of six years after the effective time of the merger, IMCO has agreed that it will provide Commonwealth's current officers and directors with a liability insurance policy that provides for coverage of matters occurring prior to the effective time that is no less favorable than the policy in place immediately prior to the merger or, if substantially equivalent insurance coverage is unavailable, the best available coverage. IMCO will not be required to pay an annual premium for this insurance in excess of \$1.6 million; and

Four former officers of Commonwealth who were involved in discussions culminating in the merger agreement have received severance payments of approximately \$6.3 million in the aggregate, following their resignation as officers of Commonwealth. Additionally, Commonwealth is responsible for excise tax gross-up payments, if any, in connection with these severance payments.

In considering the recommendation of the IMCO board of directors, you should be aware that certain members of IMCO's management and the IMCO board of directors also have interests in the transaction that are or may be different from, or in addition to, your interests as a IMCO stockholder. These interests include, among other things, the following:

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Under the terms of the merger agreement, the four current members of the IMCO board, Messrs. John E. Balkcom, John E. Grimes, Dale V. Kesler and Hugh G. Robinson, will continue as directors of IMCO following the merger;

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IMCO and Commonwealth intend that the lead independent director (the director who will preside over executive sessions and other meetings in the absence of the chairman) of the combined company will be one of the four members of the IMCO board who continues as a director of IMCO following the merger;

Richard L. Kerr, IMCO's current chief executive officer, and Paul V. Dufour, IMCO's chief financial officer, have agreed to retire effective upon completion of the merger and to serve as consultants for a limited period after the merger. Under their arrangements, these individuals would be entitled to receive severance pay and vesting of their restricted stock and stock options; and

Under the terms of employment agreements between IMCO and certain of its officers, if an officer's employment with IMCO is terminated during a period following completion of the merger (as defined in the officer's employment agreement), that officer will be entitled to certain severance benefits.

See "The Merger - Certain Persons May Have Interests in the Merger that are Different from Stockholders' Interests Generally - IMCO Severance Arrangements" on page 69.

The IMCO and Commonwealth boards of directors were aware of these arrangements during their respective deliberations on the merits of the merger and in deciding to recommend that you vote for the approval of their respective proposals.

## **Conditions to Completion of the Merger (page 85)**

Completion of the merger depends on a number of conditions being satisfied or waived. In addition to customary conditions relating to the accuracy of representations and warranties and compliance with the terms of the merger agreement, these conditions include the following:

continued effectiveness of the registration statement of which this joint proxy statement/prospectus is a part;

adoption of the merger agreement by the holders of a majority of the outstanding Commonwealth shares entitled to vote at the Commonwealth special meeting;

approval of the stock issuance pursuant to and in accordance with the merger agreement by the holders of a majority of the votes cast by holders of IMCO common stock entitled to vote at the IMCO special meeting, provided that the total vote cast on the stock issuance proposal represents in excess of 50% of the total shares of IMCO common stock outstanding and entitled to vote;

absence of any law, rule, regulation, judgment, decree, executive order or award prohibiting the consummation of the merger;

the receipt of consents or approvals under foreign antitrust laws required to consummate the transactions contemplated by the merger agreement, except where the failure to obtain such consents and approvals from a foreign governmental authority would not have a material adverse effect on IMCO and Commonwealth as a combined company following the closing;

approval for listing of the IMCO shares to be issued in the merger on the New York Stock Exchange, subject to official notice of issuance;

either (1) a commitment letter contemplating a financing in an amount sufficient to fully redeem Commonwealth's 10 1/4% Senior Subordinated Notes due 2006 and refinance in full IMCO's and Commonwealth's credit facilities shall have been obtained and all conditions (other than the consummation of the merger and bring-down conditions that we reasonably believe will be satisfied or waived) shall have been satisfied or waived, or (2) all conditions (other than the consummation of the merger and bring-down conditions that we reasonably believe will be satisfied or waived) to obtaining the agreed financing shall have been satisfied or waived; and

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receipt of opinions to the effect that, if the merger is consummated in accordance with the terms of the merger agreement, the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code, or the Internal Revenue Code).

**Neither IMCO Nor Commonwealth May Solicit Alternate Proposals Prior to Completion of the Merger (page 87)**

IMCO and Commonwealth each agreed that neither it, nor any of its subsidiaries, nor any of its officers, directors, employees or representatives, nor any officers, directors, employees or representatives of its subsidiaries, will, directly or indirectly:

initiate, solicit or encourage any inquiries or the making of any proposal or offer that constitutes a third party competing proposal (of the type described in this joint proxy statement/prospectus);

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to a competing proposal; however, nothing will prevent either Commonwealth or IMCO or their respective boards of directors from:

complying with its disclosure obligations pursuant to Sections 14(a), 14(d) or 14(e) of the Securities Exchange Act of 1934; and

at any time prior to, but not after, the time the merger agreement is adopted at the Commonwealth special meeting or the share issuance is approved at the IMCO special meeting, as applicable:

providing information in response to an unsolicited bona fide written competing proposal under the terms of a confidentiality agreement that contains substantially the same terms as the confidentiality agreements applicable to IMCO or Commonwealth, as the case may be;

engaging in any negotiations or discussions with any person who has made an unsolicited bona fide written competing proposal; or

recommending such a competing proposal to the stockholders of Commonwealth or IMCO, as the case may be.

Commonwealth and IMCO may only take these actions if, and only to the extent that, the applicable board of directors determines in good faith after consultation with outside legal counsel that such action, in light of the competing proposal and the terms of the merger agreement, is necessary to comply with the board's fiduciary duties, and in cases of engaging in any negotiations or discussions or making such a recommendation, Commonwealth or IMCO, as the case may be, is in compliance with the merger agreement and the board of directors determines in good faith that such competing proposal, if accepted, is reasonably likely to be consummated, and if consummated, would constitute a superior proposal (as described elsewhere in this joint proxy statement/prospectus).

Commonwealth and IMCO have agreed to promptly notify the other if any such inquiries, proposals or offers are received by, any such information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, any of its representatives, to provide the name of such person and the material terms and conditions of any proposals or offers, and thereafter shall keep the other informed, on a current basis, on the status and terms of any such proposals or offers and the status of any such discussions or negotiations.

Each of Commonwealth and IMCO agrees that, during the five business day period prior to recommending a competing proposal to its stockholders, it and its outside legal counsel and financial advisors will negotiate in good faith with the other party regarding any proposed revisions to the terms of the transactions contemplated by the merger agreement. The competing proposal may only be recommended to the appropriate stockholders if the IMCO or Commonwealth board of directors, as the case may be, determines in good faith that such competing proposal continues to be a superior proposal in light of any revisions to the merger agreement to which the

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parties have agreed prior to the expiration of such five business day period. A new notice will be delivered with respect to each competing proposal that has been materially revised or modified prior to taking any action to recommend such competing proposal to the appropriate stockholders and a new five business day period will commence from the time of this notice. The IMCO or Commonwealth board of directors, as the case may be, however, may make a change in recommendation in respect of a competing proposal that is received 10 days or less prior to the Commonwealth special meeting or the IMCO special meeting, as the case may be, so long as the party making such change in recommendation is in compliance with the terms of the merger agreement and provides notice to the other party before making that change.

**The Merger Agreement May Be Terminated in Certain Circumstances (page 88)**

Before the effective time of the merger, the merger agreement may be terminated:

by mutual written consent of IMCO and Commonwealth duly authorized by their respective boards of directors;

by either IMCO or Commonwealth, if:

the merger has not occurred on or before December 15, 2004, unless the failure is the result of a breach of the merger agreement by the party seeking the termination;

any governmental entity has issued a final and nonappealable injunction, order, decree or ruling or has taken any other final and nonappealable action that makes the consummation of the merger illegal or otherwise prevents or prohibits the consummation of the merger;

adoption by the Commonwealth stockholders of the merger agreement by the vote of holders of a majority of the outstanding shares of Commonwealth common stock has not been obtained at the Commonwealth special meeting or any adjournment or postponement thereof; or

approval by the IMCO stockholders of the issuance of shares of IMCO common stock pursuant to the merger agreement has not been obtained by the affirmative vote of a majority of the votes cast at the IMCO special meeting or any adjournment or postponement thereof, with the total votes cast on that proposal exceeding 50% of the shares of IMCO common stock outstanding.

by IMCO, if:

Commonwealth's board of directors or any committee thereof, at any time prior to the adoption of the merger agreement by the Commonwealth stockholders, withdraws, modifies or changes, in any way adverse to IMCO, its recommendation of the merger agreement;

either (1) Commonwealth breaches any representation, warranty, covenant or agreement under the merger agreement, or (2) any of Commonwealth's representations or warranties in the merger shall become untrue, in either case such that the condition to closing relating to representations, warranties, covenants and agreements would not be satisfied, if the inaccuracy or breach cannot be or has not been cured within 30 days following receipt of notice of the inaccuracy or failure; or

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the Commonwealth special meeting is not held by December 10, 2004, unless the failure is the result of IMCO's failure to fulfill any obligations under the merger agreement.

by Commonwealth, if:

IMCO's board of directors or any committee thereof, at any time prior to the approval of the share issuance by the IMCO stockholders, withdraws, modifies or changes, in any way adverse to Commonwealth, its recommendation of the merger agreement or the issuance of IMCO shares;

either (1) IMCO breaches any representation, warranty, covenant or agreement under the merger agreement, or (2) any of IMCO's representations or warranties in the merger agreement shall



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become untrue, in either case such that the condition to closing would not be satisfied, if the inaccuracy or breach cannot be or has not been cured within 30 days following receipt of notice of the inaccuracy or failure; or

the IMCO special meeting is not held by December 10, 2004, unless the failure is the result of Commonwealth's failure to fulfill any obligations under the merger agreement.

## **Responsibility for Fees and Expenses Following a Termination of the Merger Agreement (page 89)**

Commonwealth is liable to IMCO, or IMCO is liable to Commonwealth, to pay a termination fee of \$3.5 million, together with all of the other party's reasonably documented expenses related to the merger and the merger agreement through the date of termination, up to a maximum of \$2.0 million, if the merger agreement is terminated under certain circumstances.

Whether or not the merger is consummated, each of IMCO, Merger Sub and Commonwealth will bear its own expenses in connection with the merger agreement and the related transactions, except that IMCO and Commonwealth will share equally the expenses relating to printing, filing and mailing this joint proxy statement/prospectus.

## **Accounting Treatment of the Merger (page 70)**

The merger will be accounted for as a business combination using the purchase method of accounting. IMCO will be the acquirer for financial accounting purposes.

## **Additional Indebtedness is Required to Refinance Certain Indebtedness of Both Companies in Connection with the Merger, and this Refinancing Will Require the Combined Company to Comply with Certain Financial Covenants (page 70)**

Under the terms of the merger agreement, IMCO and Commonwealth have agreed to use their reasonable best efforts to complete financings in amounts sufficient so that, following completion of the merger, (1) Commonwealth will be able to fully redeem all of its outstanding 10<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2006, refinance in full all outstanding indebtedness under its senior credit facility and purchase all outstanding accounts receivables previously sold under its receivables purchase agreement and (2) IMCO will be able to refinance in full all amounts outstanding under its senior credit facility. IMCO and Commonwealth currently anticipate that these financings will include:

\$125 million in new long-term unsecured debt of IMCO; and

borrowings under a proposed \$325 million amended and restated senior revolving credit facility.

It is expected that the total outstanding indebtedness of the combined company following completion of the merger and the refinancings described above will be approximately \$440 million. Completion of financings is a condition to consummation of the merger. In connection with these financings, the combined company will be subject to certain financial covenants.

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IMCO has received a commitment letter dated September 28, 2004 from PNC Bank, National Association, Citicorp USA, Inc. and Deutsche Bank Trust Company Americas, which provides, subject to the satisfaction of specified conditions and completion of definitive documentation, for a \$325 million amended and restated senior secured revolving credit facility. The terms of the amended and restated senior credit facility will require the combined company to comply with various affirmative and negative covenants including, among other items, restrictions on its ability to (1) incur new debt, (2) make certain investments or acquisitions, (3) pay dividends or repurchase shares of capital stock, (4) make capital expenditures, (5) sell assets, and (6) grant liens. Under its proposed terms, the combined company will be subject to a fixed charge coverage ratio of 1.1x to 1 (calculated

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based on IMCO Recycling Inc. and its wholly owned domestic subsidiaries). if, at any time during specified periods, the combined company's undrawn availability under its facility is less than \$50.0 million.

Under the terms of the proposed new long-term unsecured debt, the combined company will, among other items, be limited in its ability to (1) incur additional debt, (2) pay dividends, (3) grant liens, (4) engage in transactions with affiliates, (5) make investments, (6) transfer or sell assets, (7) restrict distributions from its restricted subsidiaries, (8) issue or sell stock of its subsidiaries, and (9) consolidate, merge or transfer all or substantially all of its or its restricted subsidiaries' assets.

Except as stated above, neither IMCO nor Commonwealth currently has commitments from any lender or other financing source for any financings in connection with the merger.

## **Status of U.S. and Foreign Regulatory Approvals (page 72)**

The merger is subject to various laws regulating competitive activities. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act), the parties cannot complete the merger until they have notified and furnished information to the U.S. Federal Trade Commission and the Antitrust Division of the United States Department of Justice and the specified waiting period expires or is earlier terminated. IMCO and Commonwealth filed the information required under the HSR Act on July 21, 2004, and have been notified that their requests for early termination of the waiting period under the HSR Act had been granted. IMCO and Commonwealth also submitted required filings to the German Federal Cartel Office on August 20, 2004. On September 1, 2004, IMCO and Commonwealth received clearance from the German Federal Cartel Office. Each state and foreign country in which IMCO or Commonwealth has operations also may review the merger under state or foreign antitrust laws.

## **Material United States Federal Income Tax Consequences of the Merger (page 74)**

Fulbright & Jaworski L.L.P., counsel to IMCO, and Sullivan & Cromwell LLP, counsel to Commonwealth, have each delivered opinions, dated October 21, 2004, to IMCO and Commonwealth, respectively, to the effect that, among other things, if the merger is consummated in accordance with the terms of the merger agreement, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. In a merger that qualifies as a reorganization under Section 368(a) of the Code, the U.S. federal tax consequences will include the following, among other things:

No gain or loss will be recognized by IMCO or Commonwealth as a result of the merger;

No gain or loss will be recognized by Commonwealth stockholders who exchange all of their Commonwealth shares for IMCO shares in the merger;

The tax basis of the IMCO shares received by a Commonwealth stockholder in the merger (including any fractional share not actually received) will be the same as the tax basis of the Commonwealth shares surrendered in exchange therefor;

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The holding period of the IMCO shares received by a Commonwealth stockholder in the merger will include the holding period of the Commonwealth shares surrendered in exchange therefor, provided that such Commonwealth shares are held as capital assets at the effective time of the merger; and

A cash payment in lieu of a fraction of a share will be treated as if a fractional share of IMCO common stock had been received in the merger and then redeemed by IMCO.

For further information concerning U.S. federal income tax consequences of the merger, please see Material United States Federal Income Tax Consequences beginning on page 74 of this joint proxy statement/prospectus.

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**Tax matters are very complicated and the consequences of the merger to any particular Commonwealth stockholder will depend on that stockholder's particular facts and circumstances. Commonwealth stockholders should consult their own tax advisors to determine their own tax consequences from the merger in light of their particular facts and circumstances.**

**Appraisal and Dissenters' Rights for IMCO and Commonwealth Stockholders are not Available (page 72)**

Neither IMCO stockholders nor Commonwealth stockholders will be entitled to dissenters' appraisal rights as result of the merger. For further information concerning dissenters' and appraisal rights, please see "The Merger: Appraisal and Dissenters' Rights are not Available in Connection with the Merger" beginning on page 72 of this joint proxy statement/prospectus.

**Table of Contents****SELECTED IMCO CONSOLIDATED FINANCIAL DATA**

The following selected financial data as of and for the years ended December 31, 2003, 2002, 2001, 2000, and 1999 have been derived from IMCO's audited consolidated financial statements. The following selected financial data for the six-month periods ended June 30, 2004 and 2003 have been derived from IMCO's unaudited consolidated financial statements which include, in the opinion of IMCO's management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and the financial position of IMCO for the periods and dates presented.

The selected financial data of IMCO set forth below should be read in connection with IMCO's financial statements and the related notes, Management's discussion and analysis of financial condition and results of operations, and the other financial information included elsewhere or incorporated by reference in this joint proxy statement/prospectus. Historical results are not necessarily indicative of results that may be expected for any future period.

The consolidation of the financial condition and results of operations of IMCO's German subsidiary, VAW-IMCO Guss und Recycling GmbH (VAW-IMCO), into IMCO's consolidated financial statements effective March 1, 2003 affects the comparability of certain information for the periods presented. The financial statements of VAW-IMCO as of December 31, 2001 and for the year ended December 31, 2001 have been audited by Arthur Andersen WS, independent auditors, as stated in the copy of their report incorporated by reference herein. Because Arthur Andersen WS has ceased accounting and auditing operations, IMCO has been unable to obtain written consent of Arthur Andersen WS to incorporate their report in this joint proxy statement/prospectus.

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
(Dollars in thousands, except per share information)							
Restated							
<b>Statement of operations data (1):</b>							
Revenues	\$ 764,831	\$ 846,939	\$ 689,337	\$ 687,168	\$ 892,015	\$ 434,535	\$ 570,947
Cost of sales	694,193	799,586	656,013	640,696	837,428	404,789	525,384
Gross profit	70,638	47,353	33,324	46,472	54,587	29,746	45,563
Selling, general and administrative expense	24,924	27,334	22,686	26,549	38,808	17,457	26,648
Amortization expense (2)	4,653	4,374	4,299				
Fees on receivables sale		1,082	3,372	1,698	843	581	
Interest expense (3)	12,478	17,490	11,038	9,727	15,806	6,053	13,305
Other (income) expense, net	(1,456)	(278)	(301)	(367)	1,415	22	184
Equity in net loss (earnings) of affiliates	(2,265)	(3,060)	(3,131)	(2,403)	(789)	(911)	45
Earnings (loss) before income taxes, minority interest and cumulative effect of accounting change	32,304	411	(4,639)	11,268	(1,496)	6,544	5,381
Provision for (benefit from) income taxes	11,162	(424)	(2,243)	3,843	(1,244)	2,493	2,295
Earnings (loss) before minority interest and cumulative effect of accounting change, net of tax benefit	21,142	835	(2,396)	7,425	(252)	4,051	3,086
Minority interest, net of provision for income taxes	346	552	326	561	560	265	87
Earnings (loss) before cumulative effect of accounting change	20,796	283	(2,722)	6,864	(812)	3,786	2,999

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				(58,730)			
Cumulative effect of accounting change, net of tax benefit (2)							
Net earnings (loss)	\$ 20,796	\$ 283	\$ (2,722)	\$ (51,866)	\$ (812)	\$ 3,786	\$ 2,999
Net earnings (loss) per common share:							
Basic before accounting change	\$ 1.26	\$ 0.02	\$ (0.18)	\$ 0.47	\$ (0.06)	\$ 0.26	\$ 0.20
Cumulative effect of accounting change				(4.04)			
Basic earnings (loss) per share	\$ 1.26	\$ 0.02	\$ (0.18)	\$ (3.57)	\$ (0.06)	\$ 0.26	\$ 0.20
Diluted before accounting change	\$ 1.26	\$ 0.02	\$ (0.18)	\$ 0.47	\$ (0.06)	\$ 0.26	\$ 0.20
Cumulative effect of accounting change				(4.01)			
Diluted earnings (loss) per share	\$ 1.26	\$ 0.02	\$ (0.18)	\$ (3.54)	\$ (0.06)	\$ 0.26	\$ 0.20
Weighted average shares outstanding:							
Basic	16,448	15,353	14,978	14,548	14,473	14,480	14,658
Diluted	16,555	15,436	14,978	14,655	14,473	14,533	15,097
Dividends declared per common share	\$ 0.24	\$ 0.24	\$	\$	\$	\$	\$

(Footnotes on following page)

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	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	Restated (Dollars in thousands)					Restated	
<b>Balance sheet data (at end of period)(1):</b>							
Cash	\$ 2,578	\$ 5,014	\$ 3,301	\$ 6,875	\$ 14,760	\$ 24,331	\$ 13,934
Current assets, including cash	215,299	96,737	80,533	90,671	228,418	174,698	242,770
Property and equipment, net	189,987	196,133	186,931	187,451	219,668	215,788	212,829
Total assets	543,637	433,671	406,954	351,410	550,734	466,609	553,379
Current maturities of long-term debt (4)	181	112	75	94,075	33,017	105,618	43,316
Long-term debt (excluding current maturities) (4)	214,993	128,786	125,314	14,550	223,176	56,591	223,230
Stockholders' equity	195,656	181,857	168,893	116,864	121,745	125,041	125,633
<b>Statement of cash flows data:</b>							
Net cash from (used by) operating activities	\$ 18,233	\$ 140,938	\$ 21,003	\$ 38,443	\$ (8,252)	\$ 6,251	\$ (2,562)
Net cash from (used by) investing activities	(54,139)	(39,115)	(13,998)	(16,344)	(5,222)	8,432	(14,422)
Net cash from (used by) financing activities	32,405	(99,248)	(8,598)	(18,381)	20,711	2,178	16,336
Payments for property and equipment	(30,856)	(37,701)	(9,858)	(19,313)	(20,807)	(7,723)	(12,563)
<b>Other financial data:</b>							
EBITDA (5)	\$ 71,474	\$ 46,235	\$ 34,202	\$ 44,080	\$ 53,375	\$ 25,623	\$ 32,796
Receivables sold under receivable sale facility		90,000	65,300	61,300		56,300	

- (1) IMCO's financial condition and results of operations have been affected by acquisitions of facilities and companies during certain of the periods presented. Statement of operations data and balance sheet data as of and for the six months ended June 30, 2003 reflects the consolidation of results of operations and financial condition of IMCO's former 50%-owned joint venture, VAW-IMCO, which prior to March 1, 2003 had been accounted for under the equity method of accounting.
- (2) See Note K Impact of recently adopted accounting standards of the notes to IMCO's historical consolidated financial statements incorporated by reference in this joint proxy statement/prospectus regarding the goodwill impairment charge recorded as a cumulative effect of an accounting change and the discontinuance of goodwill amortization expense.
- (3) Certain amounts have been reclassified from amortization expense to interest expense for the years ended December 31, 2000 and 2001.
- (4) See Note G Long-term debt of the notes to IMCO's historical consolidated financial statements incorporated by reference in this joint proxy statement/prospectus regarding the classification of \$94,000 and \$118,300 of indebtedness as of December 31, 2002 and June 30, 2003, respectively, in debt as current due to the expiration of IMCO's former senior credit facility on December 31, 2003.
- (5) EBITDA is defined as net earnings (loss) before cumulative effect of accounting change, income tax expense, interest (income) expense, depreciation and amortization. EBITDA is a non-GAAP financial measure which is presented because IMCO considers it an important supplemental measure of its performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in IMCO's industry, many of which present EBITDA when reporting their results.

IMCO also uses EBITDA because its revolving credit agreement and senior secured notes indenture use EBITDA with additional adjustments to measure IMCO's compliance with its covenants under those instruments. IMCO's senior secured notes indenture requires a consolidated coverage ratio of at least 2.0 to 1.0 in order for IMCO to incur certain additional indebtedness or to make certain restricted payments or investments. The consolidated coverage ratio is the ratio of consolidated EBITDA for the most recent consecutive four fiscal quarters, to consolidated interest expense for that same period, as those terms are defined in the indenture senior secured notes. IMCO's revolving credit facility currently requires IMCO to maintain a fixed charge ratio of at least 1.0 to 1.0 as calculated over the last four consecutive completed fiscal quarters. The fixed charge ratio is defined to mean EBITDA minus capital expenditures and cash taxes paid, to fixed charges (interest expense, scheduled principal payments and dividends and distributions), as those terms are described in the revolving credit agreement. A violation of this covenant under IMCO's revolving credit facility would constitute a breach of the agreement and an event of default. If IMCO were not able to meet the incurrence tests under the covenants of its senior secured notes indenture, its ability to incur additional indebtedness and to make certain payments and investments would be restricted.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of IMCO's financial results prepared in accordance with generally accepted accounting principles, or GAAP. Some of these limitations are:

EBITDA does not reflect IMCO's cash expenditures, or future requirements, for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, IMCO's working capital needs;



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EBITDA does not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on indebtedness;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

other companies in IMCO's industry may calculate EBITDA differently than IMCO does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to IMCO to invest in the growth of its business. IMCO compensates for these limitations by relying primarily on IMCO's GAAP results and using EBITDA only supplementally. See the Consolidated Statement of Cash Flows included in IMCO's consolidated financial statements incorporated by reference in this joint proxy statement/prospectus.

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IMCO's reconciliation of EBITDA to net earnings (loss) and net cash from (used by) operating activities is as follows:

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	Restated (Dollars in thousands)						
<b>EBITDA reconciliation:</b>							
EBITDA	\$ 71,474	\$ 46,235	\$ 34,202	\$ 44,080	\$ 47,377	\$ 25,623	\$ 32,796
Interest expense	12,478	16,668	9,970	9,727	15,806	6,053	13,305
Provision for (benefit from) income taxes	11,162	(424)	(2,243)	3,843	(1,244)	2,493	2,295
Depreciation and amortization	27,038	29,708	29,197	23,646	33,627	13,291	14,197
Cumulative effect of accounting change, net of tax benefit				(58,730)			
Net earnings (loss)	20,796	283	(2,722)	(51,866)	(812)	3,786	2,999
Cumulative effect of accounting change, net of tax benefit				58,730			
Depreciation and amortization	27,038	29,708	29,197	23,646	33,627	13,291	14,197
Provision for (benefit from) deferred income taxes	3,369	76	2,106	(962)	(4,066)	331	(2,134)
Equity in earnings of affiliates	(2,265)	(3,060)	(3,131)	(2,403)	(789)	(911)	45
Other non-cash charges	2,370	5,349	3,390	5,095	5,781	2,869	5,035
Net changes in working capital	(33,075)	108,582	(7,837)	6,203	(41,993)	(13,115)	(22,704)
Net cash from (used by) operating activities	\$ 18,233	\$ 140,938	\$ 21,003	\$ 38,443	\$ (8,252)	\$ 6,251	\$ (2,562)

**Table of Contents****SELECTED COMMONWEALTH CONSOLIDATED FINANCIAL DATA**

The following selected financial data as of and for the years ended December 31, 2003, 2002 and 2001 have been derived from Commonwealth's audited consolidated financial statements and the years ended December 31, 2000 and 1999 have been derived from Commonwealth's audited consolidated financial statements that have been restated to reflect the presentation of Commonwealth's Alflex subsidiary as discontinued operations. The restated consolidated financial statements for 2000 and 1999 have not been audited. The following selected financial data for the six-month periods ended June 30, 2004 and 2003 have been derived from Commonwealth's unaudited condensed consolidated financial statements which include, in the opinion of Commonwealth's management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and the financial position of Commonwealth for the periods and dates presented.

The selected financial data set forth below should be read in connection with Commonwealth's financial statements and the related notes, Management's discussion and analysis of financial condition and results of operations, and the other financial information included elsewhere or incorporated by reference in this joint proxy statement/prospectus. Historical results are not necessarily indicative of results that may be expected for any future period.

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
(Dollars in thousands, except per share information)							
<b>Statement of operations data:</b>							
Net sales	\$ 951,321	\$ 990,961	\$ 801,786	\$ 853,849	\$ 817,711	\$ 377,385	\$ 525,888
Cost of goods sold	890,827	923,977	774,895	804,637	769,402	361,020	506,722
Gross profit	60,494	66,984	26,891	49,212	48,309	16,365	19,166
Selling, general and administrative expense	37,769	38,703	41,187	34,428	34,317	17,004	20,911
Amortization of goodwill (1)	2,736	2,736	2,248				
Interest expense	21,390	21,499	16,635	15,854	15,506	7,754	8,553
Other (income) expense, net	(2,868)	(1,975)	(907)	(1,636)	(1,771)	(908)	(869)
Restructuring charges (2)							13,337
Asset impairment charges (3)			167,267				
Earnings (loss) from continuing operations before provision for (benefit from) income taxes and cumulative effect of accounting change	1,467	6,021	(199,539)	566	257	(7,485)	(22,766)
Provision for (benefit from) income taxes	824	311	135	(2,357)	115	67	43
Earnings (loss) from continuing operations before cumulative effect of accounting change, net of tax benefit	643	5,710	(199,674)	2,923	142	(7,552)	(22,809)
Discontinued operations:							
Income (loss) from operations before income taxes	10,501	(2,184)	6,187	6,258	(29,007)	(779)	5,164
(Loss) on disposition							(1,570)
Income tax expense (benefit)	133	35	65	65	69	33	1,012
Income (loss) from discontinued operations	10,368	(2,219)	6,122	6,193	(29,076)	(812)	2,582
Cumulative effect of accounting change, net of tax benefit (1)				(25,327)			
Net earnings (loss)	\$ 11,011	\$ 3,491	\$ (193,552)	\$ (16,211)	\$ (28,934)	\$ (8,364)	\$ (20,227)
Net earnings (loss) per common share:							

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Basic before discontinued operations and accounting change	\$ 0.04	\$ 0.34	\$ (12.15)	\$ 0.18	\$ 0.01	\$ (0.47)	\$ (1.42)
Income (loss) from discontinued operations	0.64	(0.13)	0.37	0.39	(1.82)	(0.05)	0.16
Cumulative effect of accounting change				(1.58)			
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Basic earnings (loss) per share	\$ 0.68	\$ 0.21	\$ (11.78)	\$ (1.01)	\$ (1.81)	\$ (0.52)	\$ (1.26)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Diluted before discontinued operations and accounting change	\$ 0.04	\$ 0.34	\$ (12.15)	\$ 0.18	\$ 0.01	\$ (0.47)	\$ (1.42)
Income (loss) from discontinued operations	0.64	(0.13)	0.37	0.38	(1.81)	(0.05)	0.16
Cumulative effect of accounting change				(1.57)			
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Diluted earnings (loss) per share	\$ 0.68	\$ 0.21	\$ (11.78)	\$ (1.01)	\$ (1.80)	\$ (0.52)	\$ (1.26)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Weighted average shares outstanding:</b>							
Basic	16,224	16,567	16,428	15,994	16,011	16,011	16,045
Diluted	16,281	16,573	16,428	16,097	16,075	16,011	16,045
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.10	\$ 0.10	\$

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	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(Dollars in thousands)						
<b>Balance sheet data (at end of period):</b>							
Cash	\$ 141	\$ 11,126	\$ 6,292	\$ 13,199	\$	\$ 6,583	\$ 2,246
Current assets, including cash	262,530	233,468	211,709	227,207	211,014	197,108	236,451
Property and equipment, net	253,345	239,042	134,302	131,038	127,610	128,534	120,611
Total assets	707,500	655,768	440,289	429,158	380,116	395,238	399,534
Current maturities of long-term debt							8,588
Long-term debt (excluding current maturities)	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Stockholders' equity	336,676	338,393	134,166	107,187	78,138	99,563	64,004
<b>Statement of cash flows data:</b>							
Net cash from (used by) operating activities	\$ 47,753	\$ 27,949	\$ (17,298)	\$ 4,378	\$ (655)	\$ (641)	\$ (1,285)
Net cash from (used by) investing activities	(26,445)	(18,232)	(8,697)	(15,952)	(15,958)	(6,668)	(4,094)
Net cash from (used by) financing activities	(3,256)	(1,887)	556	(1,638)	(654)	(1,601)	7,641
Payments for property and equipment	(26,445)	(18,282)	(8,797)	(15,975)	(16,116)	(6,823)	(4,226)
<b>Other financial data:</b>							
EBITDA (4)	\$ 54,573	\$ 61,503	\$ 14,471	\$ 35,311	\$ 34,595	\$ 9,401	\$ (3,612)
Receivables sold under receivable sale facility	106,000	69,000	20,000	24,000	60,000	70,000	100,000

- See Note 3 "Goodwill" of the notes to Commonwealth's historical consolidated financial statements incorporated by reference in this joint proxy statement/prospectus regarding the goodwill impairment charge recorded as a cumulative effect of an accounting change and the goodwill impairment charge recorded as part of operations and the discontinuance of goodwill amortization.
- See Note 18 "Restructuring Charges" of the notes to Commonwealth's historical consolidated financial statements incorporated by reference in this joint proxy statement/prospectus regarding the restructuring charges.
- See Note 2 "Asset Impairment Charges" of the notes to Commonwealth's historical consolidated financial statements incorporated by reference in this joint proxy statement/prospectus regarding the asset impairment charge.
- EBITDA is defined as net earnings (loss) before cumulative effect of accounting change, income tax expense, interest (income) expense, depreciation and amortization. EBITDA is a non-GAAP financial measure which is presented because Commonwealth considers it an important supplemental measure of performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in Commonwealth's industry, many of which present EBITDA when reporting their results.

Commonwealth also uses EBITDA because its revolving credit agreement and indenture use EBITDA with additional adjustments to measure its compliance with covenants such as interest coverage (EBITDA to interest expense as defined in the credit agreement must be greater than 2.50 to 1.0), leverage ratio (total debt to EBITDA as defined in the credit agreement must be less than 3.25 to 1.0), fixed charge ratio (EBITDA to fixed charges as defined in the credit agreement must be greater than 1.10 to 1.0) and debt incurrence (EBITDA to fixed charges as defined in the indenture must be greater than 2.5 to 1.0 in order to incur additional indebtedness, other than permitted indebtedness as defined in the indenture). A violation of the covenants in its revolving credit facility would constitute a breach of the agreement and an event of default. If Commonwealth were not able to meet the incurrence tests under the covenants of its indenture, its ability to incur additional indebtedness would be restricted.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of Commonwealth's financial results prepared in accordance with generally accepted accounting principles, or GAAP. Some of these limitations are:

EBITDA does not reflect Commonwealth's cash expenditures, or future requirements, for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, Commonwealth's working capital needs;

EBITDA does not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on indebtedness;

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although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

other companies in Commonwealth's industry may calculate EBITDA differently than Commonwealth does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to Commonwealth to invest in the growth of Commonwealth's business. Commonwealth compensates for these limitations by relying primarily on Commonwealth's GAAP results and using EBITDA only supplementally. See the Consolidated Statement of Cash Flows included in Commonwealth's financial statements incorporated by reference in this joint proxy statement/prospectus.

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Commonwealth's reconciliation of EBITDA to income (loss) from continuing operations before cumulative effect of accounting change and net cash from (used by) continuing operations is as follows:

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
(Dollars in thousands)							
<b>EBITDA reconciliation:</b>							
EBITDA	\$ 54,573	\$ 61,503	\$ 14,471	\$ 35,311	\$ 34,595	\$ 9,401	\$ (3,612)
Interest expense	21,390	21,499	16,635	15,854	15,506	7,754	8,553
Provision for (benefit from) income taxes	824	311	135	(2,357)	115	67	43
Depreciation and amortization (1)	31,716	33,983	30,108	18,891	18,832	9,132	10,601
Asset impairment charges			167,267				
Income (loss) from continuing operations before cumulative effect change in accounting principle	643	5,710	(199,674)	2,923	142	(7,552)	(22,809)
Cumulative effect of accounting change, net of tax benefit				(25,327)			
Depreciation and amortization	32,916	35,183	31,389	19,875	19,727	9,576	11,119
Goodwill impairment charges				13,470			
Asset impairment charges			167,267				
Other non-cash charges	432	1,401	370	495	644	130	784
Net changes in working capital	13,762	(14,345)	(16,650)	(7,058)	(21,168)	(2,795)	9,621
Net cash from (used by) continuing operations	\$ 47,753	\$ 27,949	\$ (17,298)	\$ 4,378	\$ (655)	\$ (641)	\$ (1,285)

(1) Amortization of financing costs has been excluded as it is included in interest expense in this part of the calculation.

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

The following unaudited pro forma condensed combined financial data for the year ended December 31, 2003, and as of and for the six months ended June 30, 2004, are derived from IMCO's audited and unaudited consolidated financial statements, as amended, and Commonwealth's audited and unaudited consolidated financial statements. This data should be read in conjunction with the respective audited and unaudited consolidated financial statements, as amended, of IMCO and Commonwealth.

The unaudited pro forma condensed combined financial data reflect the pro forma adjustments relating to the proposed merger, including the value of the consideration of the IMCO common stock subject to this exchange and the estimated values and amounts based on available information regarding Commonwealth's assets and liabilities. The actual adjustments that will result from the merger will be based on further evaluations and may differ substantially from the adjustments reflected herein. The pro forma financial data also reflect the effect of the sale of Alflex as if it had been effected at January 1, 2003 and, therefore, Alflex's revenues and other results of operations have been eliminated. Finally, the pro forma financial data reflect the refinancing of a significant portion of the companies' indebtedness. As a condition to closing, the merger agreement requires:

the refinancing of all of Commonwealth's 10~~4~~4% senior subordinated notes together with accrued and unpaid interest,

the purchase of Commonwealth's receivables previously sold under its receivables purchase agreement, and

the refinancing of amounts outstanding under Commonwealth's senior credit facility and IMCO's senior credit facility.



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The unaudited pro forma operating data set forth below is not necessarily indicative of the results that actually would have been achieved had the proposed merger, the sale by Commonwealth of Alflex and the other currently contemplated financing transactions related to the merger been consummated on January 1, 2003 for results of operations and as of June 30, 2004 for the balance sheet data, or that may be achieved in the future. The unaudited pro forma condensed combined financial statements do not include any adjustments related to any restructuring charges, profit improvements, potential cost savings or one-time charges which may result from the proposed merger. The unaudited pro forma condensed combined financial statements also do not include any adjustments as a result of final valuations of tangible and intangible assets and liabilities. We urge you to read this information in conjunction with IMCO's Management's discussion and analysis of financial condition and results of operations, IMCO's consolidated financial statements and the notes thereto as amended, Commonwealth's Management's discussion and analysis of financial condition and results of operations, Commonwealth's consolidated financial statements and notes thereto and Unaudited Pro Forma Condensed Combined Financial Statements included in this joint proxy statement/prospectus or included in IMCO's and Commonwealth's Annual Reports on Form 10-K, Form 10-K/A, Quarterly Reports on Form 10-Q/A and Current Reports on Form 8-K (and amendments to those forms), as applicable, incorporated by reference in this joint proxy statement/prospectus.

	Year ended December 31, 2003	Six months ended June 30, 2004
	(in thousands, except per share amounts)	
<b>Results of operations:</b>		
Revenues	\$ 1,689,840	\$ 1,082,647
Cost of sales	1,582,319	1,002,946
Gross profit	107,521	79,701
Selling, general and administrative expense	73,125	47,559
Restructuring charges		13,337
Fees on receivables sale	843	
Interest expense	31,509	22,033
Other (income) expense net	(356)	(762)
Equity in net earnings of affiliates	(789)	45
Earnings (loss) from continuing operations before provision for income taxes and minority interest	3,189	(2,511)
(Benefit from) provision for income taxes	554	2,338
Earnings (loss) from continuing operations before minority interest	2,635	(4,849)
Minority interest, net of provision for income taxes	560	87
Earnings (loss) from continuing operations	\$ 2,075	\$ (4,936)
Earnings (loss) from continuing operations per common share:		
Basic	\$ 0.08	\$ (0.18)
Diluted	\$ 0.07	\$ (0.18)
Weighted average shares outstanding:		
Basic	27,522	27,735
Diluted	28,112	27,735
		<b>At June 30, 2004</b>
		(in thousands)

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**Balance sheet data:**

Cash	\$	17,165
Current assets, including cash		556,637
Property and equipment, net		333,440
Total assets		1,107,163
Current maturities of long-term debt		
Long-term debt (excluding current maturities)		446,944
Stockholders' equity		306,402

**Table of Contents****COMPARATIVE PER SHARE INFORMATION**

The following table presents earnings, cash dividends declared per share and book value per share data separately for IMCO and Commonwealth on a historical basis, and for IMCO and Commonwealth on an unaudited pro forma combined basis per IMCO share and unaudited pro forma combined basis per Commonwealth equivalent share. The unaudited pro forma earnings per share data for the six months ended June 30, 2004 and the year ended December 31, 2003 reflect the assumption that the merger was effective as of January 1, 2003. The unaudited pro forma per share data gives effect to the proposed merger as a purchase under generally accepted accounting principles in the United States.

The unaudited pro forma IMCO earnings (loss) per share data is based upon the historical weighted average number of shares of IMCO common stock outstanding, adjusted to include the number of shares of IMCO common stock that would be issued in the proposed merger based upon the exchange ratio of 0.815.

We urge you to read the information below together with the historical financial statements and related notes of IMCO and Commonwealth contained in each company's periodic filings with the Securities and Exchange Commission and incorporated in this joint proxy statement/prospectus by reference. See "Where You Can Find More Information" beginning on page 128 of this joint proxy statement/prospectus. The unaudited pro forma combined data below is presented for illustrative purposes only. The companies may have performed differently had they actually been combined during the periods presented below. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the proposed merger.

	IMCO Historical Per Share Data	Commonwealth Adjusted Historical Per Share Data (1)	Pro Forma Combined per IMCO Share Data	Pro Forma Combined per Commonwealth Equivalent Share Data (2)
<b>At or for the Six Months ended June 30, 2004</b>				
Net earnings (loss) per share:				
Basic	\$ 0.20	\$ (1.42)	\$ (0.18)	\$ (0.15)
Diluted	0.20	(1.42)	(0.18)	(0.15)
Cash dividends declared per share				
Book value per common share	8.32	3.94	11.05	9.01
<b>At or for the Year Ended December 31, 2003</b>				
Net earnings per share:				
Basic	\$ (0.06)	\$ 0.01	\$ 0.08	\$ 0.07
Diluted	(0.06)	0.01	0.07	0.06
Cash dividends declared per share				
Book value per common share	8.41	4.88	N/A	N/A

- (1) Commonwealth adjusted historical data reflects its July 30, 2004 disposition of Alflex Corporation. All operating data related to the Alflex discontinued operations has been excluded from the per share data presented above.
- (2) The pro forma combined data per Commonwealth equivalent share is calculated by multiplying the pro forma combined data on an IMCO share basis by the exchange ratio of 0.815.





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**RISK FACTORS**

In deciding whether to approve the stock issuance or the merger, we urge you to carefully consider all of the information we have included in this joint proxy statement/prospectus and its annexes and all of the information we have included in the documents we have incorporated by reference. See *Where You Can Find More Information* beginning on page 128 of this joint proxy statement/prospectus. In addition, we encourage you to pay particular attention to the following risks related to the merger and the business of IMCO and Commonwealth as a combined company following the merger:

**Risks of the Merger**

*IMCO and Commonwealth may fail to obtain adequate financing for the combined company, which is a condition to the completion of the merger, and as a result the merger may not be consummated, or if consummated, may contain refinancing terms less favorable than anticipated.*

As a condition to the completion of the merger, we are required to obtain adequate financing to, among other things, pay for the costs of the merger and refinance significant portions of each company's outstanding debt obligations, including to refinance Commonwealth's \$125.0 million senior subordinated notes, purchase accounts receivable previously sold under Commonwealth's receivables purchase agreement (\$100 million outstanding as of June 30, 2004) and refinance all amounts outstanding under IMCO's senior revolving credit facility (\$43.3 million outstanding as of June 30, 2004) and Commonwealth's revolving credit facility (\$8.6 million outstanding as of June 30, 2004). We currently expect the financing to consist of a combination of up to \$125 million in long-term unsecured debt of IMCO and borrowings under a \$325 million IMCO amended and restated senior revolving credit facility.

The companies may be unable to successfully obtain the financing necessary to consummate the merger, or, if obtained, such financing may be on terms unfavorable to the combined company. If we are unable to obtain the necessary financing to consummate the merger, the businesses, prospects, and future results of operations and financial condition of both IMCO and Commonwealth could be impacted negatively by the resulting market reaction as well as the time and effort expended by management of both IMCO and Commonwealth to complete the merger, and the prices of their common stock could decline as a result.

*We may face difficulties in achieving the expected benefits of the merger.*

IMCO and Commonwealth currently operate as separate companies. We may not be able to realize the operating efficiencies, cost savings or other benefits expected from the merger, which we believe will be approximately \$25.0 million annually 18 to 24 months from the completion of the merger. In addition, the costs we incur in implementing these efficiencies, cost savings and other benefits, including our ability to terminate, amend or renegotiate prior contractual commitments of IMCO and Commonwealth, may be greater than expected. We also may suffer a loss of employees, customers or suppliers, a loss of revenues, or an increase in operating or other costs as a result of the merger or other difficulties relating to the merger.

*The market value of shares of IMCO common stock that Commonwealth stockholders will receive in the merger will vary because the exchange ratio is fixed, potentially resulting in Commonwealth stockholders receiving a lower dollar value of IMCO common stock at the time of completion of the merger.*

The exchange ratio is a fixed ratio of 0.815 of a share of IMCO common stock for each share of Commonwealth common stock and will not be adjusted as a result of an increase or decrease in the price per share of IMCO common stock. The prices of IMCO common stock and Commonwealth common stock at the time the merger is completed may be higher or lower than their prices on the date of this joint proxy statement/prospectus or on the date of the special meetings of IMCO stockholders and Commonwealth stockholders. Changes in the business, operations or prospects of IMCO or Commonwealth, market assessments of the benefits

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of the merger and of the likelihood that the merger will be completed, regulatory considerations, general market and economic conditions, or other factors may affect the prices of IMCO common stock or Commonwealth common stock. Most of these factors are beyond our control.

*IMCO and Commonwealth both have incurred and will incur significant charges and expenses as a result of the merger, which have the effect of reducing the amount of capital resources available to fund the combined company's operations.*

The combined company expects to incur between \$30.0 million and \$35.0 million of estimated costs related to the merger. These costs have included or will include investment banking fees, other bank fees, legal and accounting fees, printing costs, transition costs and other related charges. IMCO and Commonwealth may also incur unanticipated costs relating to the merger. As a result, the combined company will have less capital resources available to fund its activities after the merger.

These amounts are preliminary estimates and subject to change. Additional unanticipated costs may be incurred in the integration of the businesses of IMCO and Commonwealth. Although IMCO and Commonwealth expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction, merger-related and restructuring costs over time, we cannot give any assurance that this net benefit will be achieved in the near term.

## **Risks of IMCO and Commonwealth as a combined company following the merger**

*The operations of IMCO and Commonwealth may not be integrated successfully.*

Achieving the anticipated benefits of the combination of IMCO and Commonwealth will depend in part upon the combined company's ability to integrate their businesses in an efficient and effective manner. The combined company's attempt to integrate two companies that have previously operated independently may face significant challenges, and the combined company may be unable to accomplish the integration successfully. In particular, the necessity of coordinating geographically dispersed organizations and addressing possible differences in corporate cultures and management philosophies may increase the difficulties of integration. Additionally, the combined company may incur substantial expense in its efforts to integrate the information technology systems of IMCO and Commonwealth, and these efforts may not prove successful. The integration will require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day businesses of the combined company. Employee uncertainty and lack of focus during the integration process may also disrupt the businesses of the combined company. The process of integrating operations after the merger could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. Any inability of management to integrate the operations of IMCO and Commonwealth successfully could negatively affect the businesses and financial condition of the combined company.

*IMCO and Commonwealth are both highly leveraged companies and, following completion of the merger, the combined company will continue to be highly leveraged.*

After giving effect to the merger and the anticipated refinancing of certain debt of IMCO and Commonwealth as contemplated in this joint proxy statement/prospectus, IMCO and Commonwealth would have had pro forma total debt of \$446.9 million as of June 30, 2004 and their pro forma combined debt service for the year ended December 31, 2003 would have been \$31.5 million. This significant level of indebtedness may have an effect on the operations of the combined company following the merger, including:



limiting the combined company's ability to obtain additional financing on satisfactory terms to fund its working capital requirements, capital expenditures, acquisitions, investments, debt service requirements and other general corporate requirements;

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increasing the combined company's vulnerability to general economic downturns, competition and industry conditions, which could place it at a competitive disadvantage compared to our competitors that are less leveraged;

exposing the combined company's cash flow to changes in floating rates of interest such that a 1% increase in floating rates will negatively impact its cash flow by approximately \$1.0 million;

imposing additional restrictions on the manner in which the combined company conducts its business under financing documents, including restrictions on its ability to pay dividends, make investments, incur additional debt and sell assets;

placing the combined company at a competitive disadvantage compared to many of our competitors who have less debt; and

reducing the availability of the combined company's cash flow to fund its working capital requirements, capital expenditures, acquisitions, investments, other debt obligations and other general corporate requirements, because the combined company will be required to use a substantial portion of our cash flow to service debt obligations.

Both IMCO and Commonwealth in recent periods have generated cash flows from operations insufficient by themselves to fund the companies' respective capital expenditure requirements. The combined company may not be able to generate sufficient cash flows to service the combined company's indebtedness, fund its capital expenditures or provide the combined company with the ability to raise needed financing on terms favorable to it. If the combined company is not able to reduce its high leverage through the generation of cash flow from its business, it will have to do one or more of the following:

raise additional capital through debt or equity issuances or both;

cancel or scale back current and future business initiatives; or

sell business or properties.

You should not assume that the combined company will be able to raise additional capital on favorable terms or at all. In addition, any failure to pursue business initiatives could materially and adversely affect the combined company's ability to compete effectively. Further, you should not assume that any of the actions above would provide more than temporary assistance with the cash flow of the business.

Management for both companies believe that the combination of reduced expenses due to increased economies of scale in the combined operations, other cost savings expected to result from the merger, greater demand and revenues due to an improving economy, initiatives to increase revenues and the resulting opportunity to reduce the combined company's leverage over time, will enable the combined company to generate sufficient cash flows to fund its capital expenditures and its other cash needs. However, no assurances can be given that all or any of this will be accomplished. Following the merger, if the combined company is unable over time to generate sufficient cash flows as planned, its ability to expand its business, be profitable and remain solvent would be impaired.

*The financial statements of both IMCO and Commonwealth reflect substantial historical net losses, and a continuation of net losses in the future may reduce the combined company's ability to raise needed capital.*

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IMCO reported net losses for the years ended December 31, 2003, 2002 and 2001, and Commonwealth reported net losses for the years ended December 31, 2003, 2002 and 2001, and for the three month and six month periods ended June 30, 2004, which primarily reflected operating losses and certain charges, including severance and impairment charges and charges relating to the cumulative effect of certain accounting changes, as well as high interest expenses. The combined company's ability to continue operations may become increasingly constrained if it continues to incur operating losses into the future.

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If the combined company reports similar net losses, its ability to raise needed financing, or to do so on favorable terms, may be limited as those losses are taken into account by the organizations that issue investment ratings on our indebtedness. The debt ratings of the combined company will be below the investment grade category, which results in higher borrowing costs as well as a reduced pool of potential purchasers of its debt as some investors will not purchase debt securities that are not rated in an investment grade rating category. Also, any rating assigned may not remain in effect for any given period of time and may be lowered or withdrawn entirely by a rating agency if in that rating agency's judgment future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of a rating may further increase the combined company's borrowing costs.

As a result of charges related to executive severance, merger activities, the closure of Commonwealth's tube facility and the Alfex sale that Commonwealth incurred for financial accounting purposes for the quarter ended June 30, 2004, Commonwealth determined that an amendment to its credit agreement pertaining to certain financial covenants would be necessary in order to avoid a breach of the credit agreement. Commonwealth has obtained the necessary amendment.

*The merger may result in future goodwill and other asset impairment charges, which would reduce future net income of the combined company.*

For financial accounting purposes, a substantial portion of the merger's purchase price is expected to be allocated to goodwill of the combined company. See Unaudited Pro Forma Condensed Combined Financial Statements on page 96. The purchase price will be based on the market price of IMCO's common stock as of the date of announcement of the proposed merger on June 16, 2004. Since that date, the price per share of IMCO common stock has declined. IMCO annually performs an impairment review to estimate the fair value of its reporting units. This valuation entails a discounted cash flow model using internal projections and budgets to determine a unit's fair value. In the event that the combined company is not able to achieve expected cash flow levels, or other factors indicate that goodwill is impaired, it may need to write off all or part of its goodwill. The amount of the impairment would be charged as an expense in the period in which the impairment occurred. Any such goodwill or other asset impairment charges in the future would reduce the combined company's net income and could be a factor in causing future net losses.

*The combined company may encounter issues under rules under the Sarbanes-Oxley Act of 2002 that require our management to provide a management report containing an assessment of the combined company's internal reporting controls.*

The Securities and Exchange Commission's rules under Section 404 of the Sarbanes-Oxley Act of 2002 require that reporting companies provide in their annual report on Form 10-K for fiscal years ending December 31, 2004 and thereafter, an internal control report of management. This report must contain statements that the company's management has evaluated and assessed its internal control over financial reporting for that company, concluding whether or not the company's internal control over financial reporting is effective, including disclosure of any material weaknesses in internal control identified by management. If there are any material weaknesses, management is not permitted to conclude that the company's internal control over financial reporting is effective. The Form 10-K must also contain a statement that the company's independent auditors have issued an attestation report on management's assessment, and that attestation report must be filed with the Form 10-K. IMCO will be required to provide an internal control report and an auditor's attestation report in its Annual Report on Form 10-K for the year ending December 31, 2004.

As described in the Commonwealth Form 10-K, and in this joint proxy statement/prospectus under Changes in Commonwealth's Internal Control Over Financial Reporting; Disclosure Controls on page 106, Commonwealth reported a number of deficiencies, including information gaps, that inhibited effective internal controls over Commonwealth's financial reporting as of December 31, 2003 and that constituted a material weakness in Commonwealth's internal control over financial reporting.



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In June 2004, the SEC's Office of Chief Accountant and Division of Corporation Finance issued a frequently asked questions interpretive release, indicating that the staff of the Division would not object to an issuer's management's report on internal control over financial reporting that excludes an acquired business from management's assessment, so long as appropriate disclosures are made and the date of the acquisition is not more than one year from the date of management's assessment. In reliance on this guidance, IMCO may omit from its management report its assessment of the internal control over financial reporting of Commonwealth and its consolidated subsidiaries as of December 31, 2004. Assuming the IMCO stockholders approve the issuance of the IMCO common stock under the merger agreement and the Commonwealth stockholders approve the adoption of the merger agreement, IMCO and Commonwealth anticipate that the merger will close in the fourth quarter of 2004. IMCO does not believe there will be sufficient time between the closing of the merger and the date on which its management's report on internal control over financial reporting must be provided to perform the necessary procedures to make the assessment with respect to Commonwealth. IMCO, therefore, believes that it will omit from its management report its assessment of the internal control over financial reporting of Commonwealth and its consolidated subsidiaries as of December 31, 2004.

The risks of excluding an assessment of an acquired company in management's report over financial reporting in the combined company's annual report on Form 10-K for the year ending December 31, 2004 may present a number of issues that are impossible to determine at this point in time due to the fact that many of the applicable rules are not yet operative. However, there may be risks for IMCO and Commonwealth as the combined company in terms of marketplace, supplier, customer and investor acceptance of the fact that a significant portion of the combined company's business and operations was excluded from management's internal control assessment. The release also provides that while the answers to the frequently asked questions represent the views of the staffs of the Office of the Chief Accountant and the Division of Corporation Finance, they are not rules, regulations or statements of the SEC, and the SEC has neither approved nor disapproved them.

If IMCO or Commonwealth experiences or is unable to correct further deficiencies, or the combined company is unable to correct them following the merger, the management for the combined company may not be able to state that the combined company's internal control over financial reporting is effective as of December 31, 2005. The inability of the combined company to obtain attestations as to its internal control over financial reporting may cause investors, creditors, customers, suppliers and others to lose confidence in the accuracy of the combined company's financial reporting, which may in turn decrease the price and liquidity of its common stock and negatively affect the combined company's ability to secure financing and conduct its operations. In addition, the combined company's ability to report financial results on a timely and accurate basis may be adversely affected.

*The cyclical nature of the metals industry, our end-use market segments and our customers' industries could limit the combined company's operating flexibility, which could negatively impact the combined company's financial condition and results of operations.*

The metals industry in general is cyclical in nature. It tends to reflect and be amplified by changes in general and local economic conditions, both domestically and abroad. These conditions include the level of economic growth, financing availability, employment levels, interest rates, consumer confidence and housing demand. Historically, in periods of recession or periods of minimal economic growth, metals companies have often tended to under-perform other sectors. Commonwealth and IMCO are particularly sensitive to trends in the transportation and construction industries, which are both seasonal and highly cyclical in nature, and dependent on general economic conditions. For example, during recessions or periods of low growth, the transportation and construction industries typically experience major cutbacks in production, resulting in decreased demand for aluminum and zinc. This leads to significant fluctuations in demand and pricing for IMCO's and Commonwealth's products and services. Because both companies generally have high fixed costs, their profitability is significantly affected by decreased processing and production volumes; accordingly, reduced demand and pricing pressures may have a negative impact on IMCO's and Commonwealth's financial condition and results of operations. Economic downturns in the national and international economies or a prolonged

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recession in the companies' principal industry segments have had a negative impact on their operations in the past, and could have a negative impact on the combined company's future financial condition or results of operations.

Changes in the market price of aluminum and zinc impact the selling prices of IMCO and Commonwealth products. Market prices of aluminum and zinc are dependent upon supply and demand and a variety of factors over which they have little or no control, including:

U.S. and world economic conditions;

availability and relative pricing of metal substitutes;

labor costs;

energy prices;

environmental and conservation regulations;

seasonal factors and weather; and

import and export restrictions.

*The combined company may encounter increases in the cost of raw materials and energy, which could cause its cost of goods sold to increase, thereby reducing operating results and limiting its operating flexibility.*

The companies require substantial amounts of raw materials and energy in their businesses, consisting principally of aluminum scrap, primary aluminum metal and natural gas. Any substantial increases in raw materials or energy costs could cause operating costs to increase and negatively affect the combined company's financial condition and results of operations.

Aluminum scrap and primary aluminum metal prices are subject to significant cyclical price fluctuations. London Metal Exchange (the LME) primary aluminum metal prices declined by 56% between 1988 and 2002 and rose 30% from 2002 to 2004. Metallics (aluminum and zinc scrap, primary aluminum metal and aluminum dross) will represent the largest component of the combined company's costs of sales. Both companies purchase their scrap primarily from aluminum and zinc scrap dealers. Remaining requirements are met with purchased primary metals. The combined company will have no control over the price or availability of these supplies in the future.

The availability and price of aluminum scrap depend on a number of factors outside the companies' control, including general economic conditions, foreign demand for metallics and internal recycling activities by primary aluminum producers. Increased domestic and worldwide demand for aluminum scrap have had and will continue to have the effect of increasing the prices that the companies pay for these raw materials thereby increasing their cost of sales. The companies often cannot adjust the selling prices for their products to recover the increases in scrap prices. If scrap and dross prices were to increase significantly without a commensurate increase in the market value of the primary metals, the combined company's future financial condition and results of operations could be affected by higher costs and lower profitability. In addition, a

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significant decrease in the pricing spread between aluminum scrap and primary aluminum could make recycling less attractive compared to primary production, and thereby reduce customer demand for our recycling business.

After labor costs, natural gas costs represent the third largest component of both companies' cost of sales. The price of natural gas can be particularly volatile. As a result, the combined company's natural gas costs may fluctuate dramatically, and the combined company may not be able to mitigate the effect of higher natural gas costs on its cost of sales. If natural gas prices remain at current levels or increase further, the combined company's financial condition and results of operations may be adversely affected. Although IMCO and Commonwealth attempt to mitigate volatility in natural gas costs through the use of hedging and IMCO includes price escalators in many of its long-term supply contracts to pass natural gas cost increases on to its customers, the combined company may not be able to eliminate the effects of such cost volatility.



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Increased energy prices may also negatively affect the combined company's customers, which in turn may affect demand for the combined company's services. For example, since 2001 IMCO has experienced a sharp reduction in demand for its recycling services in the Pacific Northwest, because many domestic smelters located in that region have been forced to suspend or terminate their operations due to high energy costs.

*The combined company may be unable to manage effectively its exposure to commodity price fluctuations, and the hedging activities of both companies may affect profitability in a rising metals price environment and subject the combined company's earnings to greater volatility from period to period.*

Purchases of metal for forward delivery and hedging with futures and options contracts are used to reduce the companies' aggregate exposure at any time to the risk of changes in metal prices. Significant increases in the price of aluminum scrap or primary aluminum metal, if not offset by product price increases, would cause the combined company's cost of goods sold to significantly increase, negatively impacting the combined company's future financial condition or results of operations.

Commonwealth purchases LME futures and options contracts to reduce its exposure to the risk of changes in metal prices. Despite the use of LME futures contracts, Commonwealth remains exposed to the variability in prices of scrap metal. While scrap metal is priced in relation to prevailing LME prices, it is also priced at a premium or discount to LME metal (depending on quality of the material supplied). This premium or discount is referred to in the industry as the "scrap spread" and fluctuates depending on market conditions. Further, Commonwealth is exposed to variability in the market price of a transportation differential ("Midwest Premium") charged by industry participants to deliver metal from the smelter to the manufacturing facility. This transportation differential also fluctuates in relation to market conditions. Commonwealth follows a pattern of increasing or decreasing its selling prices to its customers in response to changes in the Midwest Premium.

Commonwealth remains exposed to market fluctuations in scrap spreads and the Midwest Premium because sales prices to its customers do not always closely conform to the market variations in scrap spreads and the Midwest Premium. Because of its exposure to the risk of changes in the unhedged portions of metal prices (scrap spreads and Midwest Premiums), Commonwealth's metal hedging programs in recent periods have not met requisite accounting effectiveness tests to enable deferral of aluminum metal hedge gains and losses in reporting the results of its operations in its financial statements. The consequent inclusion of metals hedging gains or losses in Commonwealth's earnings reports produces significant period-to-period volatility in those reports that is not necessarily reflective of Commonwealth's underlying operating performance.

*If the combined company were to lose order volumes from any of its largest customers, its sales and revenues could be reduced and its cash flows lessened.*

The combined company's business will be exposed to risks related to customer concentration. In 2003, the companies' 10 largest customers on a pro forma basis were responsible for 23% of the combined company's net revenues on a pro forma basis after giving effect to the merger. No one customer accounted for more than 10% of the combined company's net revenues in 2003 on a pro forma basis after giving effect to the merger. A loss of order volumes from, or a loss of market share by, any major customer could negatively affect the combined company's financial condition and results of operations by lowering sales volumes, increasing costs and lowering profitability. In addition, the combined company's increased emphasis on dedicated facilities and dedicated arrangements with customers carries the inherent risk of increased dependence on a single or few customers with respect to a particular facility of the combined company. In such cases, the loss of such a customer, or the reduction of that customer's business at one or more of the combined company's facilities, could negatively affect the combined company's financial condition and results of operations, and any timely replacement of volumes could prove difficult. In addition, several customers of IMCO and Commonwealth have become involved in bankruptcy or insolvency proceedings and have defaulted on their obligations to IMCO and Commonwealth in recent years, which may negatively affect the combined company's financial condition and results of operations following the merger.



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*IMCO and Commonwealth do not have long-term contractual arrangements with a substantial number of their customers, and the combined company's sales and revenues could be reduced if its customers switch their suppliers.*

Approximately 85% of the combined sales volume of IMCO and Commonwealth is with customers who do not have long-term contractual arrangements with the companies. These customers purchase products and services from IMCO and Commonwealth on a purchase order basis, and may choose not to continue to purchase our products and services. The loss of these customers or a significant reduction in their purchase orders could have a negative impact effect on the combined company's sales volume and business following the merger.

*The combined company may not be able to compete successfully in the industries it will serve, which could reduce its share of industry sales and lower its selling prices and reduce sales volumes, which could reduce operating results and negatively impact its financial condition.*

Aluminum competes with other material such as steel, plastic and glass for various applications. Higher aluminum prices tend to make aluminum products less competitive with these alternative materials.

Commonwealth competes in the production and sale of common alloy aluminum sheet products with a number of other aluminum rolling mills in the United States and Canada (including large, single purpose sheet mills, continuous casters and other multi-purpose mills, some of which are larger and have greater financial and technical resources than Commonwealth) and with imported products. Commonwealth competes with other rolled products suppliers, principally the multi-purpose mills, on the basis of quality, price, timeliness of delivery and customer service.

IMCO competes with other aluminum and zinc recyclers in segments which are highly fragmented and characterized by smaller, regional operators. The principal factors of competition in IMCO's aluminum and zinc recycling business include price, metal recovery rates, proximity to customers, customer service, molten metal delivery capability, environmental and safety regulatory compliance, and types of services offered.

Additional competition could result in lost share of industry sales or reduced prices for the combined company's products and services, which could decrease revenues or reduce volumes, either of which could have a negative effect on the combined company's financial condition and results of operations.

*A growing portion of the combined company's sales are expected to be derived from the combined company's international operations, which will expose the combined company to certain risks inherent in doing business abroad.*

Commonwealth currently does not have operations outside the United States. IMCO currently has operations in Germany, the United Kingdom, Mexico and Brazil, and the combined company plans to continue to expand the combined company's international operations. The combined company's foreign operations generally will be subject to risks, including:

changes in U.S. and foreign governmental regulations, trade restrictions and laws, including tax laws and regulations;

foreign currency exchange rate fluctuations;

tariffs and other trade barriers;

the potential for nationalization of enterprises;

interest rate fluctuations;

high rates of inflation;

currency restrictions and limitations on repatriation of profits;

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divergent environmental laws and regulations; and

political, economic and social instability.

The occurrence of any of these events could cause the combined company's costs to rise, limit its growth opportunities and have a negative effect on the combined company's operations and its ability to plan for future periods, and subject it to risks not generally prevalent in the U.S.

The financial condition and results of operations of some of the combined company's operating entities will be reported in foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in the combined company's consolidated financial statements. As a result, generally speaking, appreciation of the U.S. dollar against these foreign currencies will have a negative impact on the combined company's reported revenues and operating profit while depreciation of the U.S. dollar against these foreign currencies will have a positive effect on reported revenues and operating profit. For example, IMCO's German, Mexican and Brazilian operations were negatively impacted during the first half of 2004 due to the strengthening of the U.S. dollar against the Euro, the Mexican Peso and the Brazilian Real. The combined company currently does not intend to mitigate this translation effect through the use of derivative financial instruments, which exposes the combined company to risks of currency exchange rate and interest rate fluctuations to a greater degree than if the combined company were to use financial derivative instruments.

*Current environmental liabilities, as well as the cost of compliance with and liabilities under health and safety laws, could increase the operating costs of the combined company, negatively impacting its financial condition and results of operations.*

The companies' operations are subject to numerous and increasingly stringent federal, state, local and foreign environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, and employee health and safety. Future environmental regulations can be expected to impose stricter compliance requirements on the industries in which the combined company will operate. Additional equipment or process changes at some of IMCO's and Commonwealth's facilities may be required to meet future requirements.

Processing and manufacturing activities at current and formerly-owned and operated properties and adjacent areas have resulted in environmental impacts requiring remediation. IMCO and Commonwealth are subject to indemnification obligations to third parties for certain of these properties. Financial responsibility for the remediation of contaminated property or for the amelioration of damage to natural resources can be imposed on the combined company where current or prior operations have had an environmental impact. Such liability can include the cost of investigating and cleaning up contaminated soil or ground water, fines and penalties sought by environmental authorities, and damages arising out of personal injury, contaminated property, and other toxic tort claims, as well as lost or impaired natural resources. Certain environmental laws impose joint and several liability for some of these damages, meaning that a person can be held liable for all damages even though others were also involved in causing them. Certain environmental laws also impose liability for some of these damages regardless of whether the person causing the damages did so through any unlawful conduct or other fault. As of December 31, 2003, Commonwealth had accrued an aggregate loss contingency of \$6.7 million for environmental matters, and IMCO had accrued \$5.3 million for its landfill closure costs and \$1.0 million for other environmental matters. These costs have not been material to net income for either IMCO or Commonwealth for any accounting period since January 1, 2001. However, future remedial requirements at current and formerly owned or operated properties or adjacent areas, or identification of previously unknown conditions, could result in liabilities in excess of this amount.

A number of IMCO's long-term supply agreements with its customers contain provisions obligating IMCO to indemnify the customer for certain environmental liabilities that may arise in connection with IMCO's processing, storage, transportation or disposal of material under those long-term agreements.



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Initially, the majority of the combined company's environmental compliance expenditures will be directed toward controlling air emissions from all of its operations, ongoing operation and maintenance of eight federal superfund sites and managing and disposing of salt cake from aluminum recycling, including related landfills. Changes in environmental requirements or changes in their enforcement could materially increase the combined company's costs. If salt cake (a by-product from some of IMCO's recycling operations) were to become classified as a hazardous waste in the U.S., the costs to manage and dispose of it would increase and could result in significant increased expenditures.

*The combined company's business requires substantial capital investments that the combined company may be unable to fulfill.*

The combined company's operations will be capital intensive. On a combined basis, the companies' total capital expenditures were approximately \$36.9 million for 2003 and \$16.8 million for the six months ended June 30, 2004. The combined company expects to spend a total of approximately \$47.8 million in capital expenditures during 2004.

The combined company's businesses may not generate sufficient operating cash flow and its external financing sources may not be available in an amount sufficient to enable it to make anticipated capital expenditures, service or refinance its indebtedness or fund other liquidity needs. If the combined company is unable to make upgrades or purchase new plant and equipment, its financial condition and results of operations could be affected by higher maintenance costs, lower sales volumes due to the impact of reduced product quality, and other competitive influences.

*The combined company could experience labor disputes that could disrupt its business.*

Approximately 13% of IMCO's domestic employees, 56% of Commonwealth's domestic employees and 53% of IMCO's foreign employees are represented by unions or equivalent bodies and are covered by collective bargaining or similar agreements which are subject to periodic renegotiation.

Although the companies believe that they will successfully negotiate new collective bargaining agreements when the current agreements expire, these negotiations:

may not prove successful;

may result in a significant increase in the cost of labor; or

may break down and result in the disruption of our operations.

Labor negotiations may not conclude successfully and, in that case, work stoppages or labor disturbances may occur. Any such stoppages or disturbances may have a negative impact on the combined company's financial condition and results of operations by limiting plant production, sales volumes and profitability.

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*The loss of certain members of the management of IMCO and Commonwealth as a combined company may have an adverse effect on our operating results.*

The combined company's success will depend, in part, on the efforts of its senior management and other key employees. These individuals possess sales, marketing, engineering, manufacturing, financial and administrative skills that are critical to the operation of our business. If the combined company loses or suffers an extended interruption in the services of one or more of its senior officers, its financial condition and results of operations may be negatively affected. Moreover, the market for qualified individuals may be highly competitive and the combined company may not be able to attract and retain qualified personnel to replace or succeed members of its senior management or other key employees, should the need arise. IMCO expects that members of Commonwealth's current senior management team will fill certain key senior management positions of the combined company immediately following completion of



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the merger. While several of these individuals have previously worked together at a large commodity-based chemical company with a demonstrated successful track record at that company, they have limited experience in managing a metals company.

*Arthur Andersen WS audited certain financial information of IMCO's subsidiary, VAW-IMCO Guss und Recycling GmbH, that is incorporated by reference in this joint proxy statement/prospectus. In the event such financial information is later determined to contain false statements, you may be unable to recover damages from Arthur Andersen WS.*

The financial statements of VAW-IMCO as of December 31, 2001 and for the year ended December 31, 2001 have been audited by Arthur Andersen WS, independent auditors, as stated in the copy of their report incorporated by reference herein. Because Arthur Andersen WS has ceased accounting and auditing operations, IMCO has been unable to obtain written consent of Arthur Andersen WS to incorporate their report in this joint proxy statement/prospectus. As a result, you may be limited in your ability to recover damages from Arthur Andersen WS under federal or state law if it is later determined that there are false statements contained in this joint proxy statement/prospectus relating to or contained in financial data audited by Arthur Andersen WS.

## **Risks of Increasing the Authorized Number of Shares of Common Stock of IMCO**

*The authorization of additional IMCO shares through the proposed amendment of IMCO's certificate of incorporation may discourage certain business combinations or have a dilutive effect.*

The availability for issuance of additional shares of IMCO common stock or rights to purchase such shares could enable the board of directors of the combined company to render more difficult or discourage an attempt to obtain control of the combined company. For example, the issuance of IMCO shares in a public or private sale, merger or similar transaction would increase the number of outstanding shares, thereby possibly diluting the interest of a party attempting to obtain control of the combined company. In addition, all or any of the IMCO shares may be issued without further action by the stockholders and without first offering such shares to the stockholders for subscription, subject to applicable laws and listing requirements that may require stockholder approval for certain issuances of additional shares. The issuance of IMCO shares other than on a pro rata basis to all current stockholders could have the effect of diluting the following:

earnings per share;

book value per share; and

voting power of current stockholders.

IMCO has sufficient authorized and unissued shares of common stock to complete the merger. IMCO presently has no plans or understandings with regard to issuances of additional shares of its common stock, other than in connection with the merger and under its and the combined company's equity compensation plans.

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**FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including the documents incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words believe, expect, anticipate, intend, estimate, will, look forward to and similar expressions are intended to identify forward-looking statements.

The expectations set forth in this joint proxy statement/prospectus and the documents incorporated by reference regarding, among other things, accretion of future earnings, achievement of annual savings and synergies, achievement of cash flows and sufficiency of cash flows to fund capital expenditures are only the parties' expectations regarding these matters. Actual results could differ materially from these expectations depending on factors such as:

the factors described under Risk Factors beginning on page 27 of this joint proxy statement/prospectus; and

the factors that generally affect IMCO's and Commonwealth's businesses as further outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations in the companies' Annual Reports on Form 10-K for the year ended December 31, 2003, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004, and Current Reports on Form 8-K (and amendments to those forms), as applicable, and this joint proxy statement/prospectus, including inflation, labor relations (*i.e.*, disruptions, strikes or work stoppages) and labor costs, changes in the pricing of metals, availability of aluminum and zinc scrap at advantageous prices, changes in energy prices, raw materials costs and fuel costs, competitor pricing activity and the general impact of competition, the ability to obtain additional financing on acceptable terms when necessary, future levels of capacity utilization at plants, automobile production growth and increased use of aluminum in automobiles in North America and Europe, changes in and customer acceptance of new technology, changes in equity and debt markets, the impact terrorist activities may have on the economy and our businesses in general, the state of international, national, regional and local economies, and the success or failure of our operating plans, including our ability to manage growth.

In addition, the results of the combined company could be adversely effected by:

the ability of the combined company to integrate the operations of Commonwealth and IMCO and to realize the expected benefits of the merger, including cost savings, synergies and efficiencies; and

any loss of employees, customers or suppliers that the combined company may suffer as a result of the merger.

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**THE SPECIAL MEETINGS**

The IMCO board of directors is using this document to solicit proxies from IMCO stockholders for use at the IMCO special meeting. The Commonwealth board of directors is using this document to solicit proxies from Commonwealth stockholders for use at the Commonwealth special meeting.

**IMCO Special Meeting**

, a.m. local time, on , 2004 at the Central Tower at Williams Square, Twenty-Sixth Floor, La Cima Club, 5215 North O Connor Blvd., Irving, Texas

**Commonwealth Special Meeting**

a.m. local time, on , 2004 at PNC Plaza, 29<sup>th</sup> Floor, Jefferson Club, 500 West Jefferson Street, Louisville, Kentucky

*Purpose of the Special Meetings*

To vote on a proposal to approve the issuance of shares of IMCO common stock pursuant to and in accordance with the merger agreement.

To vote on a proposal to adopt the merger agreement.

To vote on a proposal to amend IMCO's certificate of incorporation to increase its authorized common stock from 40 million shares to 80 million shares.

To vote on a proposal to adjourn or postpone the meeting to permit further solicitation of proxies, if proposed by the board of directors.

To vote on a proposal to approve the IMCO Recycling Inc. 2004 Equity Incentive Plan.

To take action upon any other business that may properly come before the Commonwealth special meeting or any reconvened meeting following an adjournment thereof.

To vote on a proposal to approve the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan.

To vote on a proposal to adjourn or postpone the meeting to permit further solicitation of proxies, if proposed by the board of directors.

To take action upon any other business that may properly come before the IMCO special meeting or any reconvened meeting following an adjournment thereof.

*Record Date of the Special Meetings*

Holders of record of IMCO common stock at the close of business on October 14, 2004 will be entitled to notice of and to vote at the IMCO special meeting.

Holders of record of Commonwealth common stock at the close of business on October 14, 2004 will be entitled to notice of and to vote at the Commonwealth special meeting.

*Shares Outstanding at the Record Date*

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As of the record date, there were \_\_\_\_\_ shares outstanding of IMCO common stock that are entitled to vote at the IMCO special meeting.

As of the record date, there were \_\_\_\_\_ shares outstanding of Commonwealth common stock that are entitled to vote at the Commonwealth special meeting.

### *Shares Entitled to Vote at the Special Meetings*

Each share of IMCO common stock that you own as of the record date entitles you to one vote on each proposal.

Each share of Commonwealth common stock that you own as of the record date entitles you to one vote on each proposal.

Shares of IMCO common stock held by IMCO or its subsidiaries will not be voted.

Shares of Commonwealth common stock held by Commonwealth or its subsidiaries will not be voted.

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*Quorum Requirements for the Special Meetings*

A quorum of IMCO stockholders is necessary to hold a valid IMCO special meeting.

The presence in person or by proxy at the IMCO special meeting of holders of a majority of the outstanding shares of IMCO common stock as of the record date and entitled to vote at the IMCO special meeting is necessary for a quorum. Abstentions and broker non-votes count as present for establishing a quorum. Shares of common stock held by IMCO or its subsidiaries do not count toward a quorum. A broker non-vote occurs with respect to a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares of IMCO common stock and no instruction is given.

A quorum of Commonwealth stockholders is necessary to hold a valid Commonwealth special meeting.

The presence in person or by proxy at the Commonwealth special meeting of holders of a majority of the outstanding shares of Commonwealth common stock as of the record date and entitled to vote at the Commonwealth special meeting is necessary for a quorum. Abstentions and broker non-votes count as present for establishing a quorum. Shares of common stock held by Commonwealth or its subsidiaries do not count toward a quorum.

*Shares Owned by IMCO and Commonwealth Directors and Executive Officers as of the Record Date*

IMCO directors and officers have the right to vote approximately \_\_\_\_\_ shares of IMCO common stock. These shares represent approximately \_\_\_\_\_ % of the IMCO common stock outstanding as of the record date. These individuals have indicated that they intend to vote their IMCO shares in favor of the IMCO proposals.

Commonwealth directors and officers have the right to vote approximately \_\_\_\_\_ shares of Commonwealth common stock. These shares represent approximately \_\_\_\_\_ % of the Commonwealth common stock outstanding as of the record date. These individuals have indicated that they intend to vote their Commonwealth shares in favor of the Commonwealth proposals.

*Vote Necessary at the Special Meetings to Approve IMCO and Commonwealth Proposals*

The proposal to approve IMCO's stock issuance under the merger agreement requires the affirmative vote of holders of a majority of the total votes cast on this proposal in person or by proxy at the IMCO special meeting, so long as the total vote cast on the proposal exceeds 50% of the shares of IMCO common stock outstanding. The approval of the amendment to IMCO's certificate of incorporation to increase its authorized number of shares of common stock requires the affirmative vote of the holders of a majority of the outstanding shares of IMCO common stock entitled to vote at the IMCO special meeting. The proposals to approve each of (1) the IMCO Recycling Inc. 2004 Equity Incentive Plan and (2) the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan require the affirmative vote of the holders of a majority of the total votes cast on such proposal in person or by proxy at the IMCO special meeting, so long as the total vote cast on the proposal exceeds 50% of the shares of IMCO common stock outstanding. Approval of any proposal to adjourn or postpone the meeting to permit further solicitation of proxies requires the affirmative vote of the total votes cast on that proposal in person or by proxy at the IMCO special meeting.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Commonwealth common stock entitled to vote at the special meeting.

Abstentions and broker non-votes will have the same effect as votes against the proposal to adopt the merger agreement.

Approval of any proposal to adjourn or postpone the meeting to permit further solicitation of proxies requires the affirmative vote of the total votes cast on that proposal in person or by proxy at the Commonwealth special meeting.

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A former chief executive officer of IMCO, Don V. Ingram, has agreed pursuant to an agreement and general release dated April 20, 2004 between Mr. Ingram and IMCO to vote the IMCO shares held by him and has agreed to vote that stock in the same proportion as other stockholders of IMCO.

**The approval of the amendment to the certificate of incorporation to increase the number of authorized shares, and the approval of the IMCO Recycling Inc. 2004 Equity Incentive Plan and the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan are not conditions to the consummation of the merger, and a failure to approve any of those proposals will not affect the completion of the merger.**

Broker non-votes will have no effect on the outcome of the proposal to issue IMCO shares in the merger or approval of the IMCO Recycling Inc. 2004 Equity Incentive Plan and the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan so long as the total votes cast on those proposals exceed 50% of the IMCO shares outstanding. Abstentions on these proposals will be counted towards the total votes cast at the special meeting, and will therefore have the effect of negative votes. Abstentions and broker non-votes will have the same effect as votes against the proposal to amend IMCO's certificate of incorporation to increase the authorized shares of common stock.

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**VOTING BY PROXY**

**Voting Your Proxy.** You may vote in person at your special meeting or by proxy. We recommend you vote by proxy even if you plan to attend your special meeting. You can always revoke your proxy and vote at your special meeting.

You may vote by telephone, Internet or by completing and mailing the enclosed proxy. If you properly submit your proxy, in time to vote, one of the individuals named as your proxy will vote your shares of common stock as you have directed. You may vote for or against the proposals submitted at your special meeting or you may abstain from voting.

**How to Vote\***

**IMCO Special Meeting**

Submit your proxy promptly by telephone or over the Internet in accordance with instructions on the accompanying proxy card or complete, sign, date and return your proxy card in the enclosed prepaid envelope.

**Commonwealth Special Meeting**

Submit your proxy promptly by telephone or over the Internet in accordance with instructions on the accompanying proxy card or complete, sign, date and return your proxy card in the enclosed prepaid envelope.

\* If you hold shares of IMCO or Commonwealth common stock through a broker or other custodian, please follow the voting instructions provided by that firm. If you do not return your proxy card, or if your shares are held in a stock brokerage account or held by a bank, broker or nominee, or, in other words, in street name and you do not instruct your bank, broker or nominee on how to vote those shares, those shares will not be voted at your special meeting.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by the Internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the Internet or telephone by following the voting instructions enclosed with the proxy from the bank or brokerage firm. Delaware law generally permits electronic transmission of proxies. The Internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed by the Internet or telephone through such a program must be received by 11:59 p.m., E.T., on \_\_\_\_\_, 2004 unless the special meeting for which they are being given is postponed or adjourned, in which case it will be 11:59 p.m., E.T. on the date before that special meeting. Requesting a proxy prior to the deadline described above will automatically cancel any voting directions you have previously given by the Internet or by telephone with respect to your shares. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first obtain a signed and properly executed proxy from your bank, broker or nominee to vote your shares held in street name at the special meeting.

If you submit your proxy but do not make specific choices, your proxy will be voted FOR each of the proposals presented.

**The IMCO Board of Directors unanimously recommends that IMCO shareholders vote for:**

**the issuance of shares of IMCO common stock pursuant to and in accordance with the merger agreement;**

**the increase in the number of authorized shares of IMCO s common stock from 40 million to 80 million and the number of authorized shares of IMCO capital stock from 48 million to 88 million;**

**the approval of the IMCO Recycling Inc. 2004 Equity Incentive Plan;**

**the approval of the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan.**



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**The Commonwealth Board of Directors unanimously recommends that Commonwealth stockholders vote for adoption of the merger agreement.**

**Approval by IMCO stockholders of the stock issuance pursuant to and in accordance with the merger agreement and adoption by Commonwealth stockholders of the merger agreement are conditions to consummation of the merger. The approval of the IMCO Recycling Inc. 2004 Equity Incentive Plan and the IMCO Recycling Inc. 2004 Annual Incentive Compensation Plan and the proposal to increase the number of authorized shares of IMCO common stock are not conditions to the consummation of the merger agreement, and a failure to approve any of those proposals will not affect the merger.**

***Revoking Your Proxy.*** You may revoke your proxy before it is voted by:

submitting a new proxy card with a later date;

submitting a proxy at a later date by telephone or Internet;

notifying your company's Secretary in writing before your special meeting that you have revoked your proxy; or

voting in person at your special meeting.

## **Other Voting Matters**

***Voting in Person.*** If you plan to attend your special meeting and wish to vote in person, we will give you a ballot at your special meeting. However, if your shares of common stock are held in street name, you must first obtain a proxy authorizing you to vote the shares in person.

***Proxy Solicitations.*** IMCO and Commonwealth each will pay its own costs of soliciting proxies.

In addition to this mailing, IMCO and Commonwealth directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies personally, electronically or by telephone. IMCO and Commonwealth have also separately engaged Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies. IMCO and Commonwealth will pay this firm \$8,500 and \$8,000, respectively, plus certain other customary fees and expenses. Each of IMCO and Commonwealth will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxy materials to the beneficial owners of IMCO's common stock and Commonwealth's common stock, respectively.

The extent to which these proxy-soliciting efforts will be necessary depends upon how promptly proxies are submitted. You should submit your proxy without delay by telephone, the Internet or mail.

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Stockholders authorizing proxies or directing the voting of shares by the Internet or telephone should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, and those costs must be borne by the stockholder.

The trustee under Commonwealth's 401(k) plans will vote the shares of Commonwealth common stock allocated to the beneficiaries under those plans as directed by the beneficiaries. Such beneficiaries will receive voting instruction cards.

**Do not send in any Commonwealth stock certificates with your proxy cards.**

### **Other Business, Adjournment and Postponements**

We are not aware of any other business to be acted upon at either special meeting. If, however, other matters are properly brought before either special meeting, your proxies will have discretion to vote or act on those matters according to their best judgment. Any vote on a proposal to consider and approve an adjournment or

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postponement of the special meeting to permit further solicitation of proxies if, at the time of the special meeting, sufficient votes do not exist, is a matter that will be subject to a separate vote.

Other than as set forth in this joint proxy statement/prospectus, any adjournment may be made from time to time by approval of the holders of common stock representing a majority of the votes present in person or by proxy at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting. If a quorum is not present at either the IMCO or Commonwealth special meeting, holders of common stock of the relevant company may be asked to vote on a proposal to adjourn the relevant special meeting to solicit additional proxies. If a quorum is not present at the IMCO special meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy at the meeting may adjourn the meeting. If a quorum is not present at the Commonwealth special meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy may adjourn the meeting. If a quorum is present at either of the special meetings but there are not sufficient votes at the time of the special meeting to approve the other proposal(s), holders of the common stock of the relevant company may also be asked to vote on a proposal to approve the adjournment of the special meeting to permit further solicitation of proxies. IMCO will vote all proxies not voted against the share issuance in favor of a proposal to adjourn the IMCO special meeting. Commonwealth will vote all proxies not voted against the adoption of the merger agreement in favor of a proposal to adjourn the Commonwealth special meeting.

## **Householding**

### *Commonwealth stockholders:*

Only one copy of this joint proxy statement/prospectus has been sent to multiple stockholders of Commonwealth who share the same address and last name, unless Commonwealth has received contrary instructions from one or more of those stockholders. This procedure is referred to as householding. In addition, Commonwealth has been notified that certain intermediaries, such as brokers or banks, will household proxy materials. Commonwealth will deliver promptly, upon oral or written request, a separate copy of this joint proxy statement/prospectus to any stockholder at the same address. If you wish to receive a separate copy of this joint proxy statement/prospectus, you may write to Investor Relations, Commonwealth Industries, Inc., PNC Plaza 19 Floor, 500 West Jefferson Street, Louisville, Kentucky 40202, or call (502) 589-8100. You can contact your broker or bank to make a similar request. Stockholders sharing an address who now receive multiple copies of proxy statements may request delivery of a single copy by writing or calling Commonwealth using contact information above or by contacting their broker or bank, provided that such broker or bank has determined to household proxy materials.

### *IMCO stockholders:*

Only one copy of this joint proxy statement/prospectus has been sent to multiple stockholders of IMCO who share the same address and last name, unless IMCO has received contrary instructions from one or more of those stockholders. This procedure is referred to as householding. In addition, IMCO has been notified that certain intermediaries, such as brokers or banks, will household proxy materials. IMCO will deliver promptly, upon oral or written request, a separate copy of this joint proxy statement/prospectus to any stockholder at the same address. If you wish to receive a separate copy of this joint proxy statement/prospectus, you may write to Investor Relations, IMCO Recycling Inc., 5215 North O Connor Blvd., Suite 1500, Central Tower at Williams Square, Irving, Texas 75039, or call (972) 401-7200. You can contact your broker or bank to make a similar request. Stockholders sharing an address who now receive multiple copies of proxy statements may request delivery of a single copy by writing or calling IMCO using contact information above or by contacting their broker or bank, provided that such broker or bank has determined to household proxy materials.



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**THE MERGER**

**Background of the Merger**

IMCO and Commonwealth each have evaluated strategic opportunities from time to time as a part of their ongoing operations, including strategic combinations.

Commonwealth has a long-standing relationship with IMCO, having been a customer of IMCO since March 1992. Pursuant to the supply agreement between Commonwealth and IMCO, Commonwealth purchases aluminum and delivers it to IMCO's Uhrichsville, Ohio facility where it is processed and converted to molten recycled metal, with Commonwealth being responsible for treatment and disposal of the waste generated as a result of IMCO's processing services on behalf of Commonwealth. The supply agreement is due to expire March 31, 2009. Commonwealth has an option to purchase IMCO's Uhrichsville processing facility at the end of the term of the supply agreement, and Commonwealth has the right of first refusal if IMCO desires to sell the facility before the supply agreement expires. If IMCO experiences a change of control (as defined in the supply agreement), Commonwealth's option to purchase IMCO's Uhrichsville facility becomes immediately exercisable. If Commonwealth experiences a change of control (as defined in the supply agreement), both the option to purchase and the right of first refusal automatically terminate.

In early 1999 senior executives at Commonwealth and IMCO discussed the possibility of a strategic combination and determined to enter into confidentiality agreements to ensure the confidentiality of the discussion. Following this initial contact, intermittent discussions continued until early 2002. The discussions, however, never moved beyond a high-level discussion of possible transaction structures and did not include any specific proposals.

Later in 2002, after the earlier discussions had ceased, Don V. Ingram, IMCO's president and chief executive officer at the time, contacted Paul E. Lego, Commonwealth's chairman of the board of directors, for the purpose of restarting discussions about a possible merger of the two companies. Messrs. Ingram and Lego met in July 2002 to organize their respective management teams to assess the possibility of a strategic combination between IMCO and Commonwealth. IMCO set up a group headed by Paul V. Dufour, chief financial officer of IMCO, and Commonwealth set up a group headed by Donald L. Marsh, chief financial officer of Commonwealth at the time, to begin discussions among operational personnel regarding possible synergies that could be realized in a strategic combination of the two companies. IMCO and Commonwealth entered into new confidentiality agreements on September 12, 2002, and established functional teams from each company to identify areas of potential cost improvements and to consider business synergies that could result from combining the two companies. The functional teams met frequently over the next several months to continue refining the potential benefits of the merger. During early 2003, due diligence request lists were first exchanged and certain financial due diligence was conducted. IMCO engaged its financial advisor in early March. The companies, with their financial advisors, discussed financial projections.

Throughout this period, Messrs. Lego and Ingram met and monitored the work being done by the functional teams and discussed merger issues including management, the form of the transaction and financing alternatives.

During the summer, it became apparent that the transaction would not be completed prior to the maturity of IMCO's credit facilities in the fourth quarter of 2003 and IMCO determined to terminate the discussions to focus on the refinancing of its debt.

IMCO completed a refinancing of its debt in early October.

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Commonwealth reinitiated discussions with IMCO in November 2003. In December 2003, the boards of directors of each company set up a committee to engage in detailed discussions regarding a possible merger. The board committees held their first meeting on December 19, 2003 to discuss a proposed process and potential issues. During the week of December 22, 2003, a team of legal, financial, operational and other representatives of IMCO began their due diligence investigation of Commonwealth. Concurrently with this due diligence investigation, a team of Commonwealth representatives conducted a due diligence investigation of IMCO.

While the board committees continued to meet every few weeks during January and February 2004, the management teams and their legal, financial and accounting advisers continued their due diligence reviews. These reviews continued from time to time until the merger agreement was signed. One of the key issues under discussion for a significant part of the period was the management of the combined company, with Commonwealth and IMCO agreeing that neither Mr. Ingram nor Mark V. Kaminski, then Commonwealth's president and chief executive officer, should be the chief executive officer of the combined company on a long-term basis.

In April 2004, Mr. Ingram ceased to be the president, chief executive officer and chairman of the board of IMCO. Richard L. Kerr was appointed as interim president and chief executive officer and John Balkcom was appointed as chairman of the board of IMCO. Discussions continued after Mr. Kerr became interim president and chief executive officer of IMCO. Given the companies' views on Mr. Ingram and Mr. Kaminski as continuing in senior executive capacities for the combined company, the departure of Mr. Ingram did not inhibit negotiations.

The Commonwealth board of directors held its regular meeting on April 22 and special meetings on May 3 and May 11, and discussed social and governance issues, including board membership and executive leadership of the combined company, and the proposed capital structure of the combined company. In addition, at these meetings, the potential disposition of the Alflex subsidiary was discussed, along with other potential transactions which were not beyond preliminary stages. These transactions included the potential acquisition of strategic assets unrelated to the proposed merger, along with a proposed purchase by a financial institution of a significant amount of newly issued equity of Commonwealth to finance the potential acquisition of strategic assets or the purchase of these strategic assets and a potential strategic combination involving Commonwealth.

During the final weeks of negotiations, the parties also discussed the exchange ratio, process and timing of due diligence review, securing fairness opinions, which company would be the surviving entity, the composition of the board and its committees and the composition of executive management and related compensation matters.

On May 12, 2004, the board of directors of IMCO held a meeting with its legal and financial advisors to discuss the proposed merger with Commonwealth. Representatives from Fulbright & Jaworski L.L.P., legal advisers to IMCO, discussed a proposed merger agreement and the legal duties and responsibilities of IMCO's board in connection with the proposed merger. Citigroup then had preliminary discussions with the IMCO board on the financial aspects of the merger.

On May 19, 2004, representatives of the board committees of IMCO and Commonwealth met with representatives of Morgan Stanley and Citigroup to discuss terms of the merger, including proposals for exchange ratios and management of the business of IMCO and Commonwealth as a combined company.

On May 21, 2004, the board of directors of Commonwealth held a meeting with management and its legal and financial advisors to discuss the proposed merger. Representatives of Morgan Stanley, Commonwealth's financial advisor, reviewed its preliminary valuation methodology, including potential exchange ratios, for the proposed merger.

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At a board meeting on May 27, 2004, Citigroup presented information regarding financing alternatives to the IMCO board. In addition, representatives from Fulbright & Jaworski L.L.P. presented an update on the status of negotiations on the merger agreement.



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On May 28, 2004, after the boards of directors of Commonwealth and IMCO authorized further negotiations between the companies, representatives of Commonwealth and IMCO discussed the terms of a proposed merger agreement previously provided by IMCO. On June 2, 2004, Commonwealth provided IMCO with its comments to the draft merger agreement previously provided by IMCO. On June 4, 2004, representatives of Commonwealth and IMCO met to discuss the terms of the merger agreement. These negotiations continued through the execution of the merger agreement while the board committees continued discussions regarding the selection of the chief executive officer for the combined company, valuation (exchange ratio methodology), due diligence items and capital and debt structure.

During the course of negotiations, Commonwealth and IMCO engaged in detailed discussions regarding management of the combined company. When it became known that Steven Demetriou would be available to become the chief executive of the combined company, each of the board committees of Commonwealth and IMCO expressed interest in hiring Mr. Demetriou as its chief executive officer. Commonwealth indicated that it would be willing to retain Mr. Demetriou as its chief executive officer whether or not there was to be a transaction with IMCO. Ultimately, Mr. Demetriou (who has been a director of Commonwealth since 2002) became president and chief executive officer of Commonwealth with the understanding that if a transaction between Commonwealth and IMCO were to occur he would be the chairman of the board and chief executive officer of the combined company. On June 10, 2004 the board of directors of IMCO held a meeting with representatives of Citigroup and Fulbright & Jaworski L.L.P. to review the merger agreement, IMCO's due diligence investigation of Commonwealth and to discuss financial issues relating to the merger. On June 11, 2004, Commonwealth announced that Mr. Demetriou had been appointed as the new president and chief executive officer of Commonwealth, replacing Mr. Kaminski. Because of Mr. Demetriou's involvement with the negotiations as a member of Commonwealth's merger board committee, the negotiation process was able to continue without any significant delay to update Mr. Demetriou and determine whether he would be in favor of proceeding with the merger.

On June 14, 2004, the board of directors of IMCO held a meeting to discuss the merger agreement in detail with representatives from Fulbright & Jaworski L.L.P.

The board of directors of Commonwealth also met on June 14, 2004. At this meeting, Sullivan & Cromwell LLP, legal advisors to Commonwealth, discussed with the Commonwealth board its duties and responsibilities in connection with the consideration of the proposed merger and discussed with the Commonwealth board the terms of the proposed merger agreement. In addition, Morgan Stanley reviewed with the Commonwealth board financial issues related to the merger. At this meeting, representatives from a commercial financial institution discussed a proposed financing structure to be made available to the combined company to refinance certain existing debt. Subsequently, on June 16, 2004, the same commercial financial institution provided draft letters and terms sheets outlining the proposed financing structure. Following the June 14, 2004 meeting and through the next two days, two of IMCO's directors on the IMCO board committee held negotiations with members of the Commonwealth board committee, along with representatives from Morgan Stanley and Citigroup, to negotiate further on the merger agreement and come to final determinations on the post-closing composition of the board and management of the combined company.

During this period, the parties' negotiations principally concerned the exchange ratio. The Commonwealth representatives requested an exchange ratio of 0.85 shares of IMCO common stock for one share of Commonwealth common stock, while IMCO's representatives offered an exchange ratio of 0.80. As the negotiations developed, IMCO increased its offer to an exchange ratio of 0.81 and the parties eventually agreed, shortly before execution of the merger agreement, to an exchange ratio of 0.815. The parties had also discussed the composition of the combined company's board of directors and the composition of board committees. To address concerns that there could be a perception that the board of directors of the combined company would be composed of more members from Commonwealth's board of directors than from IMCO's board of directors, IMCO requested, and Commonwealth agreed that an IMCO independent director would be designated as lead director of the combined company's board of directors. In addition, IMCO and Commonwealth agreed that two IMCO directors would be designated as the chairpersons of the compensation and the nominating and governance committees of the board, and two Commonwealth directors would be designated as the chairpersons of the audit and the environmental committees of the board.

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On June 16, 2004, the boards of directors of both IMCO and Commonwealth met separately to review with their respective management and legal and financial advisors the status of the negotiations and the proposed terms and conditions of the merger, including the exchange ratio. During the IMCO board meeting, representatives from Fulbright & Jaworski L.L.P. updated the board on changes to the material terms and conditions of the merger agreement previously discussed and reviewed again the legal duties and responsibilities of IMCO's board in connection with the proposed merger. Citigroup reviewed its financial analysis of the exchange ratio and rendered to IMCO's board an oral opinion, which opinion was confirmed by delivery of a written opinion dated June 16, 2004, to the effect that, as of that date and based on and subject to the matters described in its opinion, the exchange ratio was fair, from a financial point of view, to IMCO. Following discussion, IMCO's board unanimously approved the merger agreement, determined that the merger was advisable and in the best interests of IMCO and the holders of IMCO common stock and determined to submit the proposal to issue IMCO shares under the merger agreement to the holders of IMCO common stock for their approval.

During the Commonwealth board meeting, representatives from Sullivan & Cromwell LLP updated the board on revisions to the terms of the merger agreement previously discussed. Morgan Stanley reviewed its financial analyses and rendered to Commonwealth's board an oral opinion, which opinion was confirmed by delivery of a written opinion dated June 16, 2004, to the effect that, as of that date and based on and subject to the matters described in its opinion, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of Commonwealth common stock. Following discussion, Commonwealth's board unanimously determined that the merger was advisable, approved the merger agreement, determined that the terms of the merger agreement and the transactions contemplated by the merger agreement were advisable and fair to and in the best interests of Commonwealth and the holders of Commonwealth common stock, determined to recommend the merger agreement to the holders of Commonwealth common stock for adoption, and recommended that the holders of Commonwealth common stock adopt the merger agreement.

Prior to taking action on the merger agreement, the Commonwealth and IMCO boards, during their respective meetings, requested that their management discuss with potential financing sources the feasibility of obtaining commitment letters with respect to refinancing the companies indebtedness. Each company's management reviewed the financial proposals and the conditions set forth in the proposed term sheet and advised their respective boards as to the feasibility of obtaining commitment letters with respect to refinancing the companies' indebtedness. Each board took action to approve the merger after being advised by its management that an acceptable commitment letter for financing could not be obtained in a reasonable timeframe, and that in the judgment of each company's management, the execution of the merger agreement should take place prior to obtaining any such commitment.

Following the IMCO and Commonwealth board meetings, IMCO and Commonwealth executed the merger agreement and on June 17, 2004 issued a joint press release announcing the execution of the merger agreement.

### **IMCO's Reasons for the Merger**

The IMCO board believes that the terms of the merger are fair to and in the best interests of IMCO and its stockholders, has unanimously approved the merger agreement and the proposed merger and unanimously recommends that IMCO stockholders vote **FOR** the approval of the issuance of shares of IMCO common stock pursuant to the merger agreement.

In reaching its conclusion, the IMCO board considered, among other factors:

Anticipated cost savings and other benefits, with IMCO expecting that annual cost savings of \$25 million could be fully realized within 18 to 24 months from the completion of the merger. The sources of these cost savings are anticipated to be:

*Lower cost structure.* The combined company is expected to benefit from economies of scale in its operations, which would reduce administrative costs and provide more favorable pricing and terms

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from its vendors as well as other advantages over time. These factors are expected to make up approximately 80% of these annual cost savings;

*Benefits from vertical integration.* Consolidating the operations of Commonwealth, one of the largest aluminum scrap consumers in the U.S. and one of IMCO's largest customers, with the operations of IMCO, one of the largest U.S. aluminum scrap processors, provide opportunities to reduce costs through shared services and technologies and coordinate operations between facilities located near each other. These factors are expected to contribute approximately 20% of these annual cost savings.

See Forward-Looking Statements beginning on page 38 of this joint proxy statement/prospectus.

The relatively small size of IMCO's core business industry, limiting to a degree the opportunities for future growth and expansion by itself;

Greater raw materials sourcing and procurement capabilities than IMCO would possess by itself;

The increased scope and scale of the combined company, with expanded market reach and anticipated higher revenues and cash flows, which should improve its competitive position and better position the combined company for access to U.S. and foreign capital markets;

Improved position for future acquisition and growth opportunities by its increased size and resources, including enhanced abilities to expand internationally and capitalize on other vertical and horizontal opportunities;

IMCO's demonstrated successful long-term business relationship with Commonwealth through the long-term supply agreement for their Uhrichsville, Ohio facilities;

Greater market capitalization and increased liquidity, leading to anticipated higher volumes of market trading of IMCO stock and greater stability in its stock prices;

More diversified end uses for its products and services than either company alone, reducing end-use concentration.

The business prospects for each company in an industrial economic recovery in the U.S. and abroad;

The structure of the transaction and terms of the merger agreement. See The Merger Agreement beginning on page 77 of this joint proxy statement/prospectus;

The results and scope of the due diligence review of Commonwealth's businesses and operations conducted by IMCO;

The presentation and opinion of Citigroup Global Markets described below, including Citigroup's conclusion that the merger consideration was fair, from a financial point of view, to IMCO as of the date of its opinion. The Citigroup opinion is based upon and subject to the factors and assumptions, qualifications and limitations set forth therein; and

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The compatibility of the corporate cultures of both companies, the willingness of Steven Demetriou and his leadership team to serve as executive officers for IMCO and Commonwealth as a combined company and the willingness of four Commonwealth directors to join the board of IMCO and Commonwealth as a combined company following the closing.

In determining that the merger was fair to, and in the best interests of, IMCO, the IMCO board considered the factors above as a whole and did not assign specific or relative weights to those factors. The IMCO board believes that the merger is an opportunity for IMCO stockholders to participate in a combined enterprise that has significantly greater business and financial resources and opportunities than IMCO would have absent the merger.

In their consideration, IMCO's board of directors, when weighing the advantages and opportunities listed above, took a number of other factors into account that weighed against the merger, including the following:

The risks that the costs incurred in connection with the transition of new management and the integration of the two companies operations and personnel would be higher than expected;

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The problems of integrating a new management team with both companies' personnel, and the possibility that management's attention would be diverted during the transition period;

The risks of not capturing the anticipated cost savings and not achieving the other anticipated benefits of the merger;

Potential challenges involved in financing the transaction. The merger agreement provides that completion of the merger is conditioned on refinancing of certain indebtedness of the two companies, for which neither company had obtained financing commitments at the time the merger agreement was entered into;

Certain provisions of the merger agreement, including;

Provisions requiring IMCO to submit the merger agreement to the IMCO stockholders and to not terminate the merger agreement in the event that IMCO receives a proposal to combine with another company that is superior to the terms of the proposed merger with Commonwealth; and

Provisions that require IMCO to pay a termination fee to Commonwealth if the merger agreement is terminated under certain circumstances.

## **IMCO's Board of Directors Recommends that IMCO Stockholders Vote in Favor of the Stock Issuance Under the Merger Agreement**

After consideration of the factors discussed above, and without assigning specific weight to any specific factor, IMCO's board of directors unanimously determined that the terms of the merger are in the best interest of IMCO.

**The IMCO board of directors unanimously recommends that IMCO stockholders vote at the IMCO special meeting to approve the issuance of IMCO common stock pursuant to and in accordance with the merger agreement.**

## **Fairness Opinion of Citigroup Global Markets Inc., Financial Advisor to IMCO**

Citigroup was retained to act as financial advisor to IMCO in connection with the merger. Pursuant to IMCO's engagement letter agreement with Citigroup, dated March 7, 2003, Citigroup rendered an oral opinion to the IMCO board of directors on June 16, 2004, which opinion was subsequently confirmed in writing, to the effect that, as of the date of the opinion, and based upon and subject to the considerations and limitations set forth in the opinion, Citigroup's work described below and other factors Citigroup deemed relevant, the exchange ratio was fair, from a financial point of view, to IMCO.

**The full text of Citigroup's opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Annex B to this document and has been included in this joint proxy statement/prospectus with the consent of Citigroup. The summary of Citigroup's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of IMCO common stock are urged to read the Citigroup opinion carefully and in its entirety. The following summary, which is qualified in its entirety by reference to the full text of Citigroup's opinion, discusses the material terms of the opinion.**

**The Citigroup opinion was limited solely to the fairness of the exchange ratio from a financial point of view as of the date of the opinion. Neither the Citigroup opinion nor the related analyses constituted a recommendation of the proposed merger to the IMCO board of directors. Citigroup makes no recommendation to any stockholder regarding how such stockholder should vote with respect to the merger.**

In arriving at its opinion, Citigroup reviewed the merger agreement, and held discussions with senior officers, directors and other representatives and advisors of IMCO and senior officers, directors and other representatives of Commonwealth concerning the business, operations and prospects of IMCO and Commonwealth. Citigroup examined publicly available business and financial information relating to IMCO and Commonwealth, as well as financial forecasts and other information and data relating to IMCO and Commonwealth which were provided to or otherwise reviewed by or discussed with Citigroup by the respective managements of IMCO and

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Commonwealth, including information relating to the potential strategic implications and operational benefits anticipated by the managements of IMCO and Commonwealth to result from the merger. Citigroup reviewed the financial terms of the merger as set forth in the merger agreement in relation to, among other things:

current and historical market prices and trading volumes of IMCO common stock and Commonwealth common stock;

the historical and projected earnings and other operating data of IMCO and Commonwealth; and

the capitalization and financial condition of IMCO and Commonwealth.

Citigroup analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of IMCO and Commonwealth. Citigroup also evaluated the *pro forma* financial effects of the merger. In addition to the foregoing, Citigroup conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it. With respect to financial forecasts and other information and data relating to IMCO and Commonwealth provided to or otherwise reviewed by or discussed with it, Citigroup was advised by the respective managements of IMCO and Commonwealth that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of IMCO and Commonwealth as to the future financial performance of IMCO and Commonwealth, the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated to result from the merger and the other matters covered thereby. Citigroup assumed, with the consent of the IMCO board of directors, that the merger will be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on IMCO or Commonwealth or the contemplated benefits of the merger. Citigroup also assumed, with the consent of the IMCO board of directors, that the merger will be treated as a tax-free reorganization for federal income tax purposes.

Citigroup noted that its opinion relates only to the relative values of IMCO and Commonwealth. Citigroup did not express any opinion as to what the value of the IMCO common stock actually will be when issued pursuant to the merger or the price at which the IMCO common stock will trade at any time. Citigroup did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of IMCO or Commonwealth, nor did Citigroup make any physical inspection of the properties or assets of IMCO or Commonwealth.

In connection with rendering its opinion, Citigroup was not requested to, and did not, solicit third party indications of interest in the possible acquisition of all or a part of IMCO, nor was it requested to consider, and its opinion did not address, the relative merits of the merger as compared to any alternative business strategies or transactions that might exist for IMCO or the effect of any other transaction in which IMCO might engage. Citigroup's opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

In connection with rendering its opinion, Citigroup made a presentation to the IMCO board of directors on June 16, 2004 with respect to the material analyses performed by Citigroup in evaluating the fairness of the exchange ratio to IMCO as of that date. The following is a summary of that presentation. The summary includes information presented in tabular format. **To understand fully the financial analyses used by**



**Citigroup, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to June 9, 2004, and is not necessarily indicative of current or future market conditions.

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*Summary of Analyses.* Citigroup performed several analyses to evaluate the exchange ratio, including an implied historical exchange ratio analysis based on historical trading prices for IMCO and Commonwealth, analysis of comparable companies and discounted cash flow analyses. The table below summarizes the range of values implied by each of those analyses for a share of IMCO common stock and Commonwealth common stock, as well as a range for the implied exchange ratio. Citigroup also performed accretion/dilution and synergy analyses which are not included in the table. With respect to Commonwealth common stock, Citigroup performed two discounted cash flow analyses; in one analysis, Citigroup used the unadjusted forecasted financial information provided by Commonwealth management; in the other analysis, Citigroup used Commonwealth's forecasted financial information adjusted as described below. **The summary table below does not include a description of each analysis or the underlying assumptions. In order to understand the summary table and each analysis you should read the full disclosure regarding Citigroup's opinion and analyses that appears in this section.**

	IMCO		Commonwealth		Implied Exchange Ratio	
	High	Low	High	Low	High	Low
	Implied Exchange Ratio Analysis Last Twelve Months <sup>1</sup>	\$ 14.68	\$ 5.45	\$ 11.04	\$ 4.33	1.070x
Comparable Company Analysis	\$ 14.50	10.50	9.75	6.50	0.929x	0.448x
Discounted Cash Flow Analysis (Commonwealth Management Case)	\$ 14.85	10.50	13.90	10.75	1.324x	0.724x
Discounted Cash Flow Analysis (Commonwealth Adjusted Case)	\$ 14.85	10.50	9.40	6.75	0.895x	0.455x
Transaction Exchange Ratio					0.815x	

<sup>1</sup> Trading range for implied exchange ratio reflects the high and low implied exchange ratios for the twelve-month period ended June 9, 2004.

*Implied Historical Exchange Ratio Analysis*

Citigroup derived implied historical exchange ratios by dividing the closing price per share of Commonwealth common stock by the closing price per share of IMCO common stock for each trading day in the period from June 10, 2002 through June 9, 2004. Citigroup calculated that the implied exchange ratio as of June 9, 2003 was 0.68x. Citigroup also calculated the high, low and average implied exchange ratios for each of the following calendar periods ended June 9, 2004:

	High	Low	Average
Last Three Months	0.96	0.65	0.78
Last Six Months	1.07	0.61	0.82
Last Nine Months	1.07	0.56	0.81
Last Twelve Months	1.07	0.55	0.78
Last Two Years	1.19	0.55	0.79

Citigroup compared the high, low and average historical exchange ratios for each of the calendar periods listed above to the exchange ratio in the merger. Citigroup noted that the exchange ratio in the merger is within the range of the implied historical exchange ratios for each of the calendar periods listed above and is comparable to the average implied historical exchange ratio for each of the calendar periods listed above.

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*Comparable Companies Analysis*

Citigroup compared certain financial, operating and stock market data and forecasted financial information for selected publicly traded companies that Citigroup deemed appropriate to similar information for IMCO and Commonwealth. For purposes of its analysis, Citigroup selected two integrated aluminum companies and three aluminum processors. The comparable companies considered by Citigroup were:

Alcoa Inc.

Alcan Inc.

Mueller Industries, Inc.

Quanex Corporation

Wolverine Tube, Inc.

In the course of this analysis, the forecasted financial information used by Citigroup for IMCO was based on information provided by IMCO management. The forecasted financial information used by Citigroup for Commonwealth was based on information provided by Commonwealth management, adjusted to (i) remove certain prospective equity investments by Commonwealth, (ii) reflect certain pension and other employee benefit related expenses, and (iii) reflect an effective tax rate of 38%. The forecasted financial information with respect to Commonwealth used by Citigroup in all of its analyses reflects the *pro forma* effect of Commonwealth's sale of Alflex. The forecasted financial information used by Citigroup for the selected comparable companies was based on information published by I/B/E/S which compiles summaries of financial forecasts published by various investment banking firms.

For each of IMCO, Commonwealth and the selected comparable companies, Citigroup derived and compared, among other things:

the ratio of the company's firm value as of June 14, 2004 to its earnings before interest expense, taxes, depreciation and amortization (EBITDA) for the last twelve-month period (LTM) for which results were available; and

the ratio of the company's firm value as of June 14, 2004 to its estimated EBITDA for calendar year 2004.

Firm value was calculated as the sum of the value of:

all shares of common stock, assuming the exercise of all in-the-money options, warrants and convertible securities, less the proceeds from such exercise; plus

non-convertible indebtedness; plus

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non-convertible preferred stock; plus

minority interests; plus

out-of-the-money convertible securities; minus

investments in unconsolidated affiliates and cash.

The following table sets forth the results of this analysis.

	<u>High</u>	<u>Low</u>	<u>Mean</u>
Ratio of Firm Value to LTM EBITDA	13.0x	8.3x	10.4x
Ratio of Firm Value to 2004 Forecasted EBITDA	8.0x	5.9x	7.2x

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Based on this analysis, Citigroup derived a reference range for the implied equity value of a share of IMCO common stock of \$10.50 to \$14.50 and a reference range for the implied equity value of a share of Commonwealth common stock of \$6.50 to \$9.75. Citigroup further derived an implied exchange ratio based on this analysis of 0.448x to 0.929x. Citigroup noted that the exchange ratio in the merger was within this derived range.

*Discounted Cash Flow Analysis*

Citigroup performed discounted cash flow analyses for IMCO common stock and Commonwealth common stock. The forecasted financial information used by Citigroup for IMCO common stock was based on information provided by IMCO management. With respect to Commonwealth common stock, Citigroup performed two discounted cash flow analyses; in one analysis, Citigroup used the unadjusted forecasted financial information provided by Commonwealth management; in the other analysis, Citigroup used Commonwealth's forecasted financial information adjusted as described above. In the course of these analyses, Citigroup calculated the estimated present value of each of IMCO's and Commonwealth's unlevered free cash flows for the calendar years 2004 through 2008. Citigroup added to that the estimated present value of the forecasted terminal value of each of IMCO and Commonwealth at the end of 2008. For purposes of this analysis, Citigroup utilized discount rates ranging from 9.0% to 11.0%, and terminal values based on multiples of projected terminal EBITDA at the end of the forecast period ranging from 4.0x to 6.0x for IMCO and 5.0x to 7.0x for Commonwealth. Citigroup derived discount rates based on its analysis of IMCO's cost of debt and equity capital. Based on this data, Citigroup derived the following reference ranges of implied equity value per share of IMCO common stock and Commonwealth common stock:

	<b>Reference Range</b>
IMCO Common Stock	\$10.50 to \$14.85
Commonwealth Common Stock Unadjusted Case	\$10.75 to \$13.90
Commonwealth Common Stock Adjusted Case	\$ 6.75 to \$ 9.40

Citigroup further derived a reference range of 0.724x to 1.324x for the implied exchange ratio based on Commonwealth management's unadjusted forecasts and a reference range of 0.455x to 0.895x for the implied exchange ratio based on Commonwealth management's forecasts as adjusted. Citigroup noted that the exchange ratio in the merger was within both derived ranges.

*Accretion/Dilution and Synergy Analyses*

Citigroup analyzed the *pro forma* effect of the transaction on IMCO's forecasted earnings per share (EPS) for calendar years 2004 through 2008. The forecasted financial information used by Citigroup for IMCO was based on information provided by IMCO management, and the forecasted financial information for Commonwealth was based on information provided by Commonwealth management, adjusted as described above. Among other things, Citigroup assumed, based on management forecasts, that the pre-tax annual operating synergies as a result of the transaction would be \$25 million following successful integration; Citigroup further assumed that the business of IMCO and Commonwealth as a combined company would be taxed at a 38% rate and certain existing IMCO and Commonwealth debt would be refinanced. Citigroup performed an analysis of the combined company's *pro forma* results by integrating the projections made by management and performing certain adjustments based on the data described above. Based on this analysis, Citigroup noted that if 100% of management's forecasted synergies were realized the transaction would be accretive to IMCO's forecasted EPS in calendar years 2005 through 2008 and dilutive in calendar year 2004, and if 50% of management's forecasted synergies were realized the transaction would be accretive to IMCO's forecasted EPS in calendar years 2005, 2006 and 2008, dilutive in calendar year 2004, and dilutive in calendar year 2007.

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Citigroup also derived a *pro forma* price per share for IMCO common stock using the same management projections for IMCO and Commonwealth described above for 2005 and management's forecast for synergies resulting from the merger in 2005. Assuming a ratio of firm value to 2005 estimated EBITDA of 6.0x and

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applying that ratio to the derived pro forma operating results described above, Citigroup derived a price of \$19.45 per share of IMCO common stock assuming 100% realization of management's projected synergies for 2005 and a price of \$17.35 per share of IMCO common stock assuming 50% realization of management's projected synergies for 2005.

**Citigroup's advisory services and opinion were provided for the information of the IMCO board of directors in its evaluation of the merger and did not constitute a recommendation of the merger to IMCO or a recommendation to any holder of IMCO common stock as to how that stockholder should vote on any matters relating to the merger.**

The preceding discussion is a summary of the material financial analyses furnished by Citigroup to the IMCO board of directors, but it does not purport to be a complete description of the analyses performed by Citigroup or of its presentation to the IMCO board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citigroup made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Citigroup believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citigroup, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citigroup and its opinion. With regard to the comparable companies analysis summarized above, Citigroup selected comparable public companies on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company utilized in this analysis is identical to IMCO or Commonwealth. As a result, this analysis is not purely mathematical, but also takes into account differences in financial and operating characteristics of the subject companies and other factors that could affect the public trading value of the subject companies to which IMCO and Commonwealth are being compared.

In its analyses, Citigroup made numerous assumptions with respect to IMCO, Commonwealth, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of IMCO and Commonwealth. Any estimates contained in Citigroup's analyses, while they accurately reflect the results of Citigroup's analyses, are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold.

Citigroup's analyses were prepared solely as part of Citigroup's analysis of the fairness of the exchange ratio and were provided to the IMCO board of directors in that connection. The opinion of Citigroup was only one of the factors taken into consideration by the IMCO board of directors in making its determination to approve the merger agreement and the merger. See IMCO's Reasons for the Merger on page 48.

Citigroup is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. IMCO selected Citigroup to act as its financial advisor to the transaction committee of IMCO in connection with the proposed merger on the basis of Citigroup's international reputation and Citigroup's familiarity with IMCO.

Pursuant to its engagement letter with IMCO, Citigroup is entitled to the following fees: (1) \$150,000, which became payable upon execution of the engagement letter, (2) \$150,000, for each quarter during the term of Citigroup's engagement, (3) \$750,000, which became payable upon delivery of Citigroup's fairness opinion and (4) \$2,750,000, less all fees paid pursuant to the previous clauses, in the event the merger is consummated. Citigroup and its affiliates may also be providing certain financing services to IMCO in connection with the





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merger for which Citigroup or its affiliates expect to receive compensation. IMCO has received a commitment letter dated September 28, 2004 from PNC Bank, N.A., Citicorp USA, Inc. and Deutsche Bank Trust Company Americas, which provides for a \$325 million senior secured revolving credit facility in connection with the refinancings contemplated under the merger agreement. Citigroup and its affiliates in the past have provided, and are currently providing, services to IMCO unrelated to the proposed merger, for which services Citigroup and its affiliates have received and expect to receive compensation. In particular, Citigroup acted as a co-manager of IMCO's offering of its 10.375% Senior Secured Notes due 2010 which closed on October 6, 2003. Citigroup received fees of \$450,000 in that transaction. In the ordinary course of its business, Citigroup and its affiliates may actively trade or hold the securities of IMCO and Commonwealth for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citigroup and its affiliates (including Citigroup Global Markets Inc. and its affiliates) may maintain relationships with IMCO, Commonwealth and their respective affiliates.

### **Commonwealth's Reasons for the Merger**

The Commonwealth board of directors believes that the merger presents an opportunity to combine two complementary companies to create a highly competitive vertically integrated aluminum recycler and fabricator. The Commonwealth board of directors determined that the merger was consistent with the strategic plans of Commonwealth and was in the best interests of Commonwealth and its stockholders. In reaching the conclusion to unanimously approve and adopt the merger agreement and to recommend that the Commonwealth stockholders vote to adopt the merger agreement, the Commonwealth board of directors considered a number of factors weighing in favor of the merger, including the following:

Commonwealth's and IMCO's businesses, operations, financial condition, asset quality, earnings and prospects. In particular, Commonwealth's board of directors considered the following factors:

The combined company should have greater key raw materials capabilities than Commonwealth on a stand-alone basis;

The expanded scale and scope of the combined company should improve its competitive position;

The combined company should be better positioned to pursue future growth opportunities, including an improved ability to expand internationally and to capitalize on other vertical and horizontal consolidation opportunities;

The combined company should be better positioned to pursue future growth opportunities, including an improved ability to expand internationally and to capitalize on other vertical and horizontal consolidation opportunities;

The combined company should be able to better utilize its technology to develop new products and solutions; and

The combined company will have more diversified end users than either company alone, reducing end-use concentration.

The belief of Commonwealth's board of directors that the merger should provide both immediate and long-term increases to stockholder value. In particular, Commonwealth's board of directors considered that:

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The combined company expects to fully realize annual cost savings of approximately \$25 million within 18 to 24 months from the completion of the merger;

The merger is expected to be accretive to earnings per share for Commonwealth's stockholders in the year in which the annual cost savings referred to immediately above are expected to be achieved by approximately 30.9%; and

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The combined company will have the opportunity to reduce its financial leverage over time, which will potentially reduce the interest expense and increase the net income and cash flow of the combined company.

The larger size of the combined company will improve its access to the capital markets, as well as increasing the equity market capitalization and liquidity of its stock;

The fact that Commonwealth stockholders in the aggregate will represent a significant equity percentage of the combined company, which will enable Commonwealth's stockholders to participate in any future growth of the combined company;

The opinion of Morgan Stanley provided orally on June 16, 2004 and confirmed in writing as of the same date to the effect that the exchange ratio pursuant to the merger agreement was, as of that date, fair from a financial point of view to holders of shares of Commonwealth common stock and the related presentation by and analyses of Morgan Stanley;

The results and scope of the due diligence review conducted by and on behalf of Commonwealth relating to IMCO's businesses and operations;

The review by Commonwealth's board of directors with Sullivan & Cromwell LLP and Morgan Stanley, of the provisions of the merger agreement, including the following:

The nature of the closing conditions included in the merger agreement, including the standards for obtaining regulatory consents;

The corporate governance arrangements established for the transaction, including the board, board committee and senior executive designations;

The provisions of the merger agreement that permit the board of directors of Commonwealth to respond to and engage in discussions or negotiations regarding unsolicited third party acquisition proposals under specified circumstances;

The provisions of the merger agreement that permit the board of directors of Commonwealth under specified circumstances to withdraw its recommendation that the stockholders vote in favor of adopting the merger agreement or to recommend a superior proposal to the stockholders; and

The provisions of the merger agreement that restrict IMCO's ability to solicit additional transactions.

The Commonwealth board of directors weighed these advantages and opportunities against a number of other factors identified in its deliberations weighing negatively against the merger, including the following:

The challenges inherent in the combination of two businesses and the possible diversion of management attention during the transition period for the management team;

The risk of not capturing all the anticipated synergies between Commonwealth and IMCO and the risk that the other anticipated benefits of the merger might not be realized;

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The terms of IMCO's existing 10<sup>1</sup>/<sub>8</sub>% senior secured notes due 2010, which may effectively limit the financing and strategic opportunities of the combined company; and

Certain provisions of the merger agreement, including in particular the following:

The condition to consummation of the merger that refinancing of certain indebtedness of the two companies be obtained, for which neither company had obtained financing commitments at the time the merger agreement was entered into and the challenges involved in obtaining adequate financing on acceptable terms;

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The requirement that the Commonwealth board of directors must submit the merger agreement to the Commonwealth stockholders and may not terminate the merger agreement in the event that Commonwealth receives a superior proposal; and

The provisions that require Commonwealth to pay a termination fee to IMCO if the merger agreement is terminated under certain circumstances. The Commonwealth board further noted that the termination fee provisions were symmetrical, and would require IMCO to pay the same fee to Commonwealth in parallel circumstances.

After consideration of these factors, the Commonwealth board of directors determined that these risks were significantly outweighed by the potential benefits of the merger.

Although each member of Commonwealth's board of directors individually considered these and other factors, the board did not collectively assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. The board collectively made its determination with respect to the merger based on the conclusion reached by its members, in light of the factors that each of them considered appropriate, that the merger is in the best interests of Commonwealth and its stockholders.

## **Recommendation of the Commonwealth Board of Directors**

**The Commonwealth board of directors unanimously recommends that stockholders of Commonwealth vote FOR adoption of the merger agreement.**

## **Fairness Opinion of Morgan Stanley & Co. Incorporated, Financial Advisor to Commonwealth**

Commonwealth retained Morgan Stanley to provide Commonwealth with financial advisory services in connection with its merger with IMCO. The Commonwealth board of directors selected Morgan Stanley to act as Commonwealth's financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its knowledge of the business and affairs of Commonwealth. At the meeting of the Commonwealth board of directors on June 16, 2004, Morgan Stanley rendered its oral opinion, subsequently confirmed in a written opinion dated June 16, 2004, that as of June 16, 2004, and subject to and based on the considerations set forth in its opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to the holders of shares of Commonwealth common stock.

**The full text of Morgan Stanley's opinion, dated June 16, 2004, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Morgan Stanley is attached as *Annex C* to this joint proxy statement/prospectus and has been included in this joint proxy statement/prospectus with the consent of Morgan Stanley. We urge you to read this opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the board of directors of Commonwealth, addresses only the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement as of June 16, 2004, and does not address any other aspect of the merger or constitute a recommendation to any Commonwealth stockholder as to how to vote at the special meeting. This summary is qualified in its entirety by reference to the full text of the opinion.**

In connection with rendering its opinion, Morgan Stanley, among other things:

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reviewed certain publicly available financial statements and other information of Commonwealth and IMCO;

reviewed certain internal financial statements and other financial and operating data concerning Commonwealth and IMCO prepared by management of Commonwealth and IMCO, respectively;

reviewed certain financial projections prepared by the management of Commonwealth and by the management of IMCO;

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discussed the past and current operations and financial condition and the prospects of Commonwealth and IMCO, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of Commonwealth and IMCO, respectively;

reviewed the pro forma impact of the merger on Commonwealth's earnings per share, cash flow, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for the Commonwealth common stock and the IMCO common stock;

compared the financial performance of Commonwealth and IMCO and the prices and trading activity of the Commonwealth common stock and the IMCO common stock with that of certain other publicly-traded companies and their securities;

participated in discussions and negotiations among representatives of Commonwealth and IMCO and their financial and legal advisors;

discussed certain corporate governance issues regarding Commonwealth and IMCO with representatives of Commonwealth and IMCO and their legal advisors;

reviewed financing proposals in connection with the merger and discussed those proposals with Commonwealth management;

reviewed the merger agreement; and

performed such other analyses and considered such other factors as it deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information reviewed by Morgan Stanley for the purposes of its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Commonwealth and IMCO. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement, including, among other things, that the merger will be treated as a tax-free reorganization, pursuant to the Internal Revenue Code, and that the financings necessary to consummate the merger will be consummated on terms substantially as discussed with Morgan Stanley by the management of Commonwealth and will be sufficient to consummate the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Commonwealth or IMCO, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley is not a legal or regulatory expert, and Morgan Stanley relied on the assessments of such experts with respect to such issues. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, June 16, 2004.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion. These summaries of financial analyses include information presented in tabular format. To fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

**Table of Contents***Summary of Selected Analyses*

Morgan Stanley performed financial analyses to evaluate the exchange ratio, including, among others, analysis of 52-week trading ranges, comparable companies analysis and discounted cash flows. The table below summarizes the ranges of values for a share of Commonwealth or IMCO common stock implied by those material Morgan Stanley analyses that resulted in a calculation of a range of values of the Commonwealth common stock and the IMCO common stock. Morgan Stanley noted that the market prices per share of Commonwealth and IMCO common stock were \$8.60 and \$13.43, respectively, as of June 16, 2004 and the implied value of the merger consideration per share of Commonwealth common stock was \$10.95 as of the same date. This summary does not include the underlying assumptions or descriptions of each analysis performed by Morgan Stanley in connection with the delivery of its opinion, some of which are not summarized in this table but which are described in the descriptions of the analyses that follow below. Morgan Stanley did not attribute any particular weight, or equal weight, to any factor or analysis considered by it. In order to fully understand this summary, please read the description of each corresponding analysis that follows below and the summary of the other analyses:

<u>Analysis</u>	<u>Price Range Implied by Analysis</u>			
	<u>Commonwealth</u>		<u>IMCO</u>	
52-week Trading Range	\$ 4.33	11.04	\$ 5.45	14.68
Comparable Companies Analysis	\$ 0.00	12.76	6.90	16.45
Discounted Cash Flows	\$ 9.89	13.87	15.97	22.17

*52-week Common Stock Trading Range for Commonwealth and IMCO*

Morgan Stanley analyzed the historical closing prices and trading volumes for the common stock of Commonwealth for the period from June 16, 2003 to June 10, 2004. During that time, the lowest closing price for Commonwealth common stock was \$4.33 per share and the highest closing price was \$11.04 per share. Morgan Stanley noted that the Commonwealth common stock closed at a price of \$8.60 per share on June 16, 2004. Morgan Stanley also noted that the implied purchase price of Commonwealth common stock, based on the closing prices of IMCO common stock and Commonwealth common stock on June 16, 2004 and the exchange ratio of 0.815 as set forth in the merger agreement, was \$10.95 per share and was near the highest closing price of Commonwealth for the 52-week period.

Morgan Stanley also analyzed the historical closing prices and trading volumes for the common stock of IMCO for the period from June 16, 2003 to June 10, 2004. During that time, the lowest closing price for IMCO common stock was \$5.45 per share and the highest closing price was \$14.68.



**Table of Contents***Comparable Companies Analysis*

While noting that no comparable public company is exactly identical to Commonwealth or IMCO, Morgan Stanley compared selected financial information for Commonwealth and IMCO with publicly available information for comparable companies. These companies were selected based on their product offerings, business profiles and operating processes. Each of these companies operates in the metal processing, manufacturing and/or fabricating industries and demonstrates operating and business characteristics similar to those of Commonwealth and IMCO. Based upon publicly available estimates of certain securities research analysts and using the closing prices as of June 10, 2004, Morgan Stanley calculated, for each of these companies, the stock trading price divided by the earnings per share estimates for calendar years 2004 and 2005 (the price/earnings multiple) and the aggregate value divided by the EBITDA estimates for calendar years 2004 and 2005 (the aggregate value/EBITDA multiple). The aggregate value of a company was defined as the market value of equity less cash plus the value of any debt (including any receivables purchase agreement), capital lease and preferred stock obligations of the company. For companies whose EBITDA estimates were not available, N.A. is shown for the multiple. The following table shows the results of these calculations:

**COMPARABLE COMPANIES ANALYSIS COMMONWEALTH**

Comparable Company	Aggregate Value / EBITDA		Price / Earnings	
	2004E	2005E	2004E	2005E
	x	x	x	x
Commonwealth <sup>(1)</sup>	6.8	5.0	10.9	4.2
IMCO <sup>(1)</sup>	6.2	6.0	18.9	16.8
Commercial Metals Company	N.A.	N.A.	6.6	6.3
Quanex Corporation	5.9	5.5	12.4	11.4
Steel Dynamics, Inc.	3.9	4.6	6.6	8.1
Steel Technologies Inc.	6.8	6.5	10.1	9.9
Mueller Industries, Inc.	7.4	6.2	18.4	14.7
Wolverine Tube, Inc.	7.7	7.3	24.3	19.3
Owens-Illinois, Inc.	6.4	5.6	10.9	8.5
Reliance Steel & Aluminum Co.	6.8	6.4	10.9	13.0
Silgan Holdings Inc.	6.2	6.2	10.2	10.0
<b>Mean:</b>	<b>6.4</b>	<b>6.0</b>	<b>12.9</b>	<b>11.8</b>
<b>Median:</b>	<b>6.4</b>	<b>6.2</b>	<b>10.9</b>	<b>10.7</b>

(1) Multiples for Commonwealth and IMCO based on publicly available EBITDA and earnings per share estimates

Using a 2004 aggregate value/EBITDA multiple range between 5.0x and 6.5x implied a Commonwealth common stock price per share between \$0.00 and \$2.90. Morgan Stanley noted that the implied purchase price for Commonwealth common stock pursuant to the merger agreement as of June 16, 2004 was \$10.95 per share.

Using a 2005 aggregate value/EBITDA multiple range between 5.0x and 6.0x implied a Commonwealth common stock price per share between \$6.50 and \$10.59. Morgan Stanley noted that the implied purchase price for Commonwealth common stock pursuant to the merger agreement as of June 16, 2004 was \$10.95 per share.

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Using a 2004 price/earnings multiple range between 10.0x and 13.0x implied a Commonwealth common stock price between \$1.40 and \$1.82 per share. Morgan Stanley noted that the implied purchase price for Commonwealth common stock pursuant to the merger agreement as of June 16, 2004 was \$10.95 per share.

Using a 2005 price/earnings multiple range between 9.0x and 11.0x implied a Commonwealth common stock price between \$10.44 and \$12.76 per share. Morgan Stanley noted that the implied purchase price for Commonwealth common stock pursuant to the merger agreement as of June 16, 2004 was \$10.95 per share.

**Table of Contents****COMPARABLE COMPANIES ANALYSIS IMCO**

Comparable Company	Aggregate Value / EBITDA		Price / Earnings	
	2004E	2005E	2004E	2005E
	x	x	x	x
IMCO <sup>(1)</sup>	6.2	6.0	18.9	16.8
Commonwealth <sup>(1)</sup>	6.8	5.0	10.9	4.2
Commercial Metals Company	N.A.	N.A.	6.6	6.3
Steel Technologies Inc.	6.8	6.5	10.1	9.9
Mueller Industries, Inc.	7.4	6.2	18.4	14.7
Wolverine Tube, Inc.	7.7	7.3	24.3	19.3
<b>Mean:</b>	<b>7.2</b>	<b>6.3</b>	<b>14.1</b>	<b>10.9</b>
<b>Median:</b>	<b>7.2</b>	<b>6.3</b>	<b>12.5</b>	<b>10.4</b>

(1) Multiples for Commonwealth and IMCO based on publicly available EBITDA and earnings per share estimates

Using a 2004 aggregate value/EBITDA multiple range between 6.0x and 7.0x implied an IMCO common stock price between \$11.22 and \$15.65 per share. Morgan Stanley noted that the closing price of IMCO common stock was \$13.43 per share on June 16, 2004.

Using a 2005 aggregate value/EBITDA multiple range between 5.5x and 6.5x implied an IMCO common stock price between \$11.56 and \$16.45 per share. Morgan Stanley noted that the closing price of IMCO common stock was \$13.43 per share on June 16, 2004.

Using a 2004 price/earnings multiple range between 10.0x and 17.0x implied an IMCO common stock price per share between \$6.90 and \$11.73. Morgan Stanley noted that the closing price of IMCO common stock was \$13.43 per share on June 16, 2004.

Using a 2005 price/earnings multiple range between 10.0x and 15.0x implied an IMCO common stock price per share between \$8.30 and \$12.45. Morgan Stanley noted that the closing price of IMCO common stock was \$13.43 per share on June 16, 2004.

No company included in the comparable company analysis is identical to Commonwealth or IMCO. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. Many of these matters are beyond the control of Commonwealth or IMCO, such as the impact of competition on the business of Commonwealth or IMCO and the industry in general, industry growth and the absence of any material adverse change in the financial condition and prospects of Commonwealth or IMCO or the industry or in the financial markets in general. Mathematical analysis, such as determining the average or median, or the high or low, is not in itself a meaningful method of using comparable company data.

**Table of Contents***Discounted Cash Flow Analysis*

Morgan Stanley performed a discounted cash flow analysis for each of Commonwealth and IMCO. The financial information used to complete this analysis was based on financial projections provided to Morgan Stanley by the management of Commonwealth and IMCO, respectively. In each case, Morgan Stanley calculated the present value of the unlevered free cash flows for the period beginning October 1, 2004 and ending on December 31, 2008. Morgan Stanley added to this amount the present value of a terminal value, an amount calculated by multiplying the company's projected EBITDA for 2008 by an aggregate value/EBITDA multiple. Morgan Stanley calculated terminal values for Commonwealth by utilizing aggregate value/EBITDA multiples of 5.0x and 6.0x and calculated terminal values for IMCO by utilizing aggregate value/EBITDA multiples of 6.0x and 7.0x. For purposes of this analysis, Morgan Stanley used discounted rates of 9%, 10% and 11% for both Commonwealth and IMCO, which Morgan Stanley believed provided a reasonable range of each of Commonwealth's and IMCO's cost of capital. For purposes of this analysis, Morgan Stanley used a 40% statutory tax rate for Commonwealth and included the projected utilization of tax net operating loss carryforwards in unlevered free cash flow. The following table summarizes the results of this analysis:

Discounted Cash Flow Analysis	Price Per Share	Discount Rate Range	
		11%	9%
<b>Commonwealth Range:</b> 5.0x – 6.0x terminal multiple		\$ 9.89	\$ 13.97
<b>IMCO Range:</b> 6.0x – 7.0x terminal multiple		\$ 15.97	\$ 22.17
<b>Implied Exchange Ratio Range</b>		0.61x	0.62x

Morgan Stanley noted that the implied purchase price for Commonwealth common stock pursuant to the merger agreement as of June 16, 2004 was \$10.95 per share.

Morgan Stanley also noted that IMCO's share price was \$13.43 per share as of June 16, 2004.

Morgan Stanley then compared the range of implied share prices for Commonwealth and for IMCO based upon the discounted cash flow analysis described above to derive a range of implied exchange ratios. This analysis indicated a range of exchange ratios of 0.61 to 0.62. Morgan Stanley noted that the exchange ratio set as forth in the merger agreement was 0.815.

*Historical Exchange Ratio*

Morgan Stanley analyzed the relative share prices for the common stock of Commonwealth and IMCO for the period from January 1, 1998 to June 16, 2004. The following table summarizes the results of the analysis.

Time Period	Commonwealth Share Price	IMCO Share Price	Implied Exchange Ratio	Premium at 0.815 Exchange Ratio
June 16, 2004	\$ 8.60	\$ 13.43	0.640	27.3%

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30-day Average	\$ 8.86	\$ 12.53	0.712	14.5%
6-month Average	\$ 7.97	\$ 9.91	0.811	0.5%
1-year Average	\$ 6.73	\$ 8.63	0.778	4.7%
2-year Average	\$ 6.21	\$ 7.94	0.790	3.1%

Morgan Stanley noted that the exchange ratio as set forth in the merger agreement was 0.815.

**Table of Contents***Relative Contribution Analysis*

Morgan Stanley performed a relative contribution analysis to determine how the equity contribution of Commonwealth to the combined company and implied exchange ratio, based on the various operating and financial measurement factors described below, compared to the percentage of the total equity of the combined company that Commonwealth stockholders would receive as a result of the merger and the exchange ratio as set forth in the merger agreement. In performing this analysis, Morgan Stanley compared the pro forma contribution of each of Commonwealth and IMCO to the combined company, assuming completion of the merger, on a historical and projected basis using projections provided by Commonwealth and IMCO management. Morgan Stanley considered the following measurement factors for each of 2000, 2001, 2002, 2003 and estimated 2004:

EBITDA

Cash Flow

Net Income

The following table presents the results of that analysis. In cases where either company's financial results are negative, not meaningful ( N.M. ) is shown for the relative contribution and implied exchange ratio:

	Commonwealth <sup>(1)</sup>	IMCO <sup>(1)</sup>	Relative Contribution		Implied Exchange Ratio
			Commonwealth	IMCO	
<b>EBITDA</b>	<b>\$MM</b>	<b>\$MM</b>			
2000A	\$ 64.8	\$ 63.2	50.6%	49.4%	0.98x
2001A	\$ 17.6	\$ 51.3	25.5%	74.5%	0.34x
2002A	\$ 39.4	\$ 56.0	41.3%	58.7%	0.68x
2003A	\$ 38.8	\$ 54.9	41.4%	58.6%	0.69x
2004E	\$ 39.7	\$ 70.7	36.0%	64.0%	0.55x
<b>Cash Flow(2)</b>					
2000A	\$ 40.6	\$ 29.5	57.9%	42.1%	1.29x
2001A	\$ 9.0	\$ 26.9	25.0%	75.0%	0.33x
2002A	\$ 26.6	\$ 37.2	41.7%	58.3%	0.69x
2003A	\$ 23.7	\$ 40.0	37.1%	62.9%	0.58x
2004E	\$ 26.2	\$ 44.2	37.2%	62.8%	0.58x
<b>Net Income(3)</b>					
2000A	\$ 5.4	\$ 2.3	70.0%	30.0%	2.14x
2001A	(\$ 22.6)	(\$ 0.8)	N.M.	N.M.	N.M.
2002A	\$ 6.5	\$ 9.5	40.6%	59.4%	0.67x
2003A	\$ 3.8	\$ 5.7	39.9%	60.1%	0.65x
2004E	\$ 1.2	\$ 11.0	10.1%	89.9%	0.11x

(1) Commonwealth historical and projected figures pro forma for Commonwealth's sale of its Alflex subsidiary. IMCO historical and projected figures pro forma to reflect full ownership of VAW-IMCO.

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- (2) Defined as net income plus depreciation, amortization and cash benefit from net operating losses.
- (3) Excludes cumulative change in accounting principle and extraordinary items. Commonwealth net income calculated with 40% statutory tax rate.

Morgan Stanley noted that the merger exchange ratio was 0.815 and that the percentage ownership of Commonwealth stockholders based on that ratio was approximately 46%.

### *Pro Forma Analysis of the Merger*

Morgan Stanley analyzed the pro forma impact of the merger on estimated earnings per share for Commonwealth for 2004, 2005 and 2006. The pro forma results were calculated as if the merger closed on

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September 30, 2004 and were based on financial information provided to Morgan Stanley by the management of Commonwealth and IMCO, including projected operating results, EBITDA and cash flow and balance sheet estimates. The following table presents the estimated Commonwealth earnings per share accretion/(dilution) based on the exchange ratio of 0.815 as set forth in the merger agreement. The analysis includes the impact of synergies estimated by management of Commonwealth and IMCO.

Commonwealth Pro Forma Ownership <sup>(2)</sup>	Accretion / Dilution to Commonwealth Stockholders <sup>(1)</sup>	
	2005E	2006E
45.9%	2.9%	30.9%

(1) Analysis excludes the impact of one-time transactions adjustments, costs and fees

(2) Pro forma ownership used to determine Commonwealth stockholders' portion of the combined company's earnings

*Premium Analysis*

Morgan Stanley analyzed the Commonwealth share price implied by its ownership of the combined entity, assuming two valuation scenarios for the combined company: (a) investors do not ascribe any incremental value to the combined company relative to the standalone entities (and, as a result, the combined equity market capitalization of IMCO after the merger is equal to the sum of Commonwealth's and IMCO's equity market capitalizations immediately prior to the merger); and (b) investors ascribe a valuation multiple to the expected pre-tax synergies of \$20 million and that the value of the synergies increases the equity value of the combined company compared to scenario (a) by \$120 million (and, as a result, the combined equity market capitalization of IMCO after the merger is equal to the sum of Commonwealth's and IMCO's equity market capitalizations immediately prior to the merger plus \$120 million). Morgan Stanley compared the implied share price resulting from (a) and (b) to (i) the closing price of Commonwealth common stock of \$8.60 and the implied purchase price of \$10.95 on June 16, 2004 and (ii) the average price of Commonwealth common stock of \$7.97 and the implied purchase price of \$8.08 for the average of the six months prior to June 16, 2004. The following table presents the results of this analysis:

	Premium to Commonwealth Share Price	
	June 16, 2004	6-month Average
Nominal Premium	27.3%	1.3%
Premium - Scenario (a), no valuation for synergies	14.4%	0.7%
Premium - Scenario (b), \$120 million valuation for synergies	53.0%	43.1%

In connection with the review of the merger by Commonwealth's board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Morgan Stanley believes that the summary provided and the analyses described above must be considered as a whole and that selecting portions of these analyses, without considering all of them as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less



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probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Morgan Stanley's view of the actual value of Commonwealth and IMCO.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Commonwealth and IMCO. Any estimates contained in Morgan Stanley's analyses are not necessarily

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indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of Morgan Stanley's analysis of the exchange ratio pursuant to the merger agreement from a financial point of view to the holders of Commonwealth common stock and were conducted in connection with the delivery by Morgan Stanley of its opinion dated June 16, 2004 to the board of directors of Commonwealth. Morgan Stanley's analyses do not purport to be appraisals or to reflect the prices at which shares of common stock of IMCO might actually trade. The merger consideration in the merger was determined through arm's-length negotiations between Commonwealth and IMCO and the merger agreement was adopted by Commonwealth's board of directors. Morgan Stanley did not recommend that any given merger consideration constituted the only appropriate merger consideration for the merger.

In addition, Morgan Stanley's opinion and its presentation to Commonwealth's board of directors was one of many factors taken into consideration by Commonwealth's board of directors in deciding to approve the merger. Consequently, the analyses as described above should not be viewed as determinative of the decision of Commonwealth's board of directors with respect to the merger or of whether Commonwealth's board of directors would have been willing to agree to a different exchange ratio.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of business, Morgan Stanley may from time to time trade in the securities, indebtedness, commodities or currencies or derivatives thereof, of Commonwealth and IMCO for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such instruments for any such account.

In connection with the financial advisory services provided to Commonwealth relating to the merger, Commonwealth has agreed to pay Morgan Stanley a fee in the amount of \$4 million upon completion of the transaction. Additionally, Morgan Stanley has not received any fees from Commonwealth during the past two years. Commonwealth has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services and to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising out of Morgan Stanley's engagement and any related transactions.

### **Certain Persons May Have Interests in the Merger that are Different from Stockholders' Interests Generally**

#### *Commonwealth Directors and Officers*

In considering the recommendation of the Commonwealth board of directors with respect to the merger, Commonwealth stockholders should be aware that some directors and officers have interests in the merger that are different from Commonwealth stockholders generally. The Commonwealth board of directors was aware of these interests and took them into account in approving the merger, including the following:

Under the terms of the merger agreement, Mr. Demetriou, currently Commonwealth's president and chief executive officer and a member of the board of directors of Commonwealth, will be appointed chief executive officer and chairman of the board of IMCO after the merger, and four other members of the current Commonwealth board will be appointed directors of IMCO after the merger;

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Commonwealth option holders (a group which includes many officers and directors of Commonwealth) will have all of their stock options vest at the effective time of the merger. However, options held by

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Messrs. Demetriou, Friday, Clegg and Stack (and Mr. Wasz, but only with respect to those options granted to him in September 2004) will not vest at that time and will remain subject to their usual vesting schedule;

Certain officers of Commonwealth are party to a change in control severance agreement that will be effective upon consummation of the merger. See *Commonwealth Severance Agreements* below;

Under the merger agreement, IMCO has agreed to indemnify and hold harmless all past and present officers and directors of Commonwealth for acts or omissions occurring at and prior to the effective time of the merger and to promptly advance reasonable litigation expenses incurred by these officers and directors in connection with investigating, preparing and defending any action arising out of these acts or omissions;

For a period of six years after the effective time of the merger, IMCO has agreed that it will provide Commonwealth's current officers and directors with an insurance and indemnification policy that provides for coverage of events occurring prior to the effective time that is no less favorable than the existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage. However, IMCO will not be required to pay an annual premium for this insurance in excess of \$1.6 million;

Four former officers of Commonwealth who were involved in discussions culminating in the merger agreement have received cash severance payments of approximately \$6.3 million in the aggregate (including, for three of these officers, amounts paid in respect of forfeited stock options), following their resignation as officers of Commonwealth. Additionally, Commonwealth is responsible for excise tax gross-up payments, if any, in connection with these severance payments.

After the execution of the merger agreement, Mr. Wasz received grants of stock options and restricted shares, which will terminate and be void if the merger does not occur, and a cash bonus in an amount of \$600,000, the payment of which is contingent upon closing of the merger.

*Commonwealth Severance Agreements*

Certain officers of Commonwealth (including William Toler, Henry Del Castillo and Donald Marsh) are party to a change in control severance agreement that will be effective upon consummation of the merger. If the officer terminates employment during the two year period following the merger for any reason other than for cause, death or disability, or if the officer terminates his employment for good reason (each as defined in his change in control severance agreement), or for *any* reason during the 30 day period following the first anniversary of the merger, the officer will be entitled to severance compensation as follows:

a lump sum payment in an amount equal to one-and-one-half times (for Messrs. Toler and Del Castillo) or three times (for Mr. Marsh) the sum of his base salary (at the highest rate in effect for any period within the past twelve months prior to his termination date) plus highest of (1) the target bonus for the fiscal year in which a change in control occurs or (2) the target bonus for the fiscal year in which the termination occurs or (3) the highest bonus earned by him in respect of the three fiscal years prior to the change in control;

a lump sum payment of a pro-rata portion of the annual bonus pay (based on the greater of (1) the target bonus for the fiscal year in which a change in control occurs and (2) the target bonus for the fiscal year in which the termination occurs) and any compensation previously deferred by the officer under a non-qualified plan;

continued welfare benefits for 18 months (for each of Messrs. Toler and Del Castillo) or 36 months (for Mr. Marsh) following his termination date; and

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reimbursement for any excise tax liability imposed by Section 4999 of the Internal Revenue Code, or any interest or penalties incurred with respect to such excise tax in an amount such that after payment by the respective officer of all taxes, said officer retains an amount equal to the amount of the excise tax.

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Cash payments in an approximate aggregate amount of \$3.5 million would be made to Messrs. Marsh, Del Castillo and Toler if these executives terminated employment immediately after the consummation of the merger (estimated for purposes of these calculations to occur in mid-November 2004) under circumstances described above that would entitle them to severance.

Steven Demetriou, Michael Friday, Sean Stack, Christopher Clegg and John Wasz each have an agreement with Commonwealth that provides that if he is terminated without cause (as defined in his agreement) (or, in the case of Mr. Wasz, following certain relocation requests), in the absence of any future change in control, he will be entitled to severance compensation as follows:

a lump sum payment in an amount equal to two times (for Mr. Demetriou) or one-and-one-half times (for Messrs. Friday, Stack, Clegg, and Wasz) the sum of his base pay plus his target bonus; and

continued welfare benefits for 24 months (for Mr. Demetriou) or 18 months (for Messrs. Friday, Stack, Clegg and Wasz) following his termination date;

Messrs. Demetriou, Friday, Stack, Clegg and Wasz each is a party to a change in control severance agreement that would take effect only on a change in control that occurs after the consummation of the merger. Under this severance agreement, if his employment is terminated by the combined company during the two year period following such future change in control for any reason other than for cause, death, disability or certain retirements, or if the officer terminates his employment for good reason (each as defined in his change in control severance agreement), the officer will be entitled to severance compensation as follows:

a lump sum payment in an amount equal to three times (for Mr. Demetriou) or two times (for Messrs. Friday, Stack, Clegg and Wasz) the sum of his base salary (at the highest rate in effect for any period within the past twelve months prior to his termination date) plus highest of (1) the target bonus for the fiscal year in which a change in control occurs or (2) the target bonus for the fiscal year in which the termination occurs or (3) the highest bonus earned by him in respect of the three fiscal years prior to the change in control;

a lump sum payment of a pro-rata portion of the annual bonus pay (based on the greater of (1) the target bonus for the fiscal year in which a change in control occurs and (2) the target bonus for the fiscal year in which the termination occurs) and any compensation previously deferred by the officer under a non-qualified plan;

continued welfare benefits for 36 months (for Mr. Demetriou) or 24 months (for Messrs. Friday, Stack, Clegg and Wasz) following his termination date; and

reimbursement for any excise tax liability imposed by Section 4999 of the Code, or any interest or penalties incurred with respect to such excise tax in an amount such that after payment by the respective officer of all taxes, said officer retains an amount equal to the amount of the excise tax.

Mr. Wasz also has an agreement that would pay him certain benefits in the event his employment is terminated following certain relocation requests. IMCO has agreed to assume Commonwealth's obligations under these severance agreements, subject to and upon completion of the merger.

*IMCO Directors and Officers*

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In considering the recommendation of the IMCO board of directors with respect to the merger and issuance of IMCO common stock in the merger, you should be aware that some directors and officers have interests in the merger that are different from the stockholders of IMCO and Commonwealth generally. The IMCO board was aware of these interests and took them into account in recommending the merger and approving the issuance of IMCO common stock in the merger.

Under the terms of the merger agreement, the four current members of the IMCO board (John E. Balkcom, John E. Grimes, Dale V. Kesler and Hugh G. Robinson) will continue as directors of IMCO following the merger.

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The parties intend that the lead independent director of the combined company will be one of the four current members of the IMCO board.

Richard L. Kerr, IMCO's current chief executive officer, and Paul V. Dufour, IMCO's chief financial officer, have agreed to retire effective upon completion of the merger and to serve as consultants for a limited period after the merger. Under their arrangements, these individuals would be entitled to receive severance pay and vesting of their restricted stock and stock options.

Under the terms of employment agreements between IMCO and certain of its officers, if an officer's employment with IMCO is terminated during a period following completion of the merger (as defined in the officer's employment agreement), that officer is entitled to certain severance benefits.

### *IMCO Severance Arrangements*

On August 12, 2004, IMCO announced that Richard L. Kerr, president and chief executive officer of IMCO, and Paul V. Dufour, executive vice president and chief financial officer of IMCO, had each decided to retire when the merger closes. Messrs. Kerr and Dufour have agreed in principle on the terms of their separation from IMCO and on October 1, 2004, they entered into separation agreements with IMCO. These separation agreements will be effective only upon the completion of the merger, and will supersede their current employment agreements with IMCO. If the merger does not occur by January 31, 2005, the separation agreements will terminate.

Under the terms of their separation agreements, Mr. Kerr is entitled to \$1.7 million and Mr. Dufour is entitled to \$2.0 million in cash as lump-sum severance payments payable upon the completion of the merger. In addition, each of them will receive cash bonuses of \$250,000 in recognition of their service to IMCO as senior executives. The aggregate cash payments expected to be made to Mr. Kerr and Mr. Dufour upon their termination of employment under their separation agreements will thus total approximately \$4.2 million.

In addition, Mr. Kerr will serve as a consultant to the combined company following the merger through December 31, 2005 and will be paid \$18,000 per month, while Mr. Dufour will also serve as a consultant to the combined company after the merger through June 30, 2005 and be paid \$18,000 per month for his services. Vesting of Mr. Kerr's and Mr. Dufour's restricted stock, restricted stock units and stock option awards will be accelerated upon their retirement in accordance with the current terms of IMCO's existing equity compensation plans and agreements. Under these plans and agreements, upon completion of the merger when Mr. Dufour and Mr. Kerr retire, they will be 100% vested in (i) 240,000 and 90,000 shares, respectively, of their restricted stock, (ii) 25,000 and 50,000 shares of common stock, respectively, under their outstanding restricted stock units, and (iii) stock options to purchase up to 217,500 shares and 192,500 shares of common stock of IMCO at a weighted average exercise price per share of \$10.12 and \$9.88, respectively. Each will also be entitled to up to three years of welfare benefits continuation and, in accordance with the terms of their existing arrangements, their split-dollar life insurance policies.

The merger would, upon its completion, constitute a change of control under Mr. Kerr's and Mr. Dufour's existing employment agreements with IMCO.

Under their separation agreements, Mr. Kerr and Mr. Dufour will be restricted from competing with IMCO for a two-year period, and from disclosing or misusing confidential information of IMCO. Also, following their termination of employment, neither IMCO nor Mr. Kerr or Mr. Dufour may disparage the other party, and for a period of two years, neither Mr. Kerr nor Mr. Dufour may solicit for employment any employees of the combined company. In the event that any payments to either Mr. Kerr or Mr. Dufour in connection with their separation are subject to an excise tax under Section 4999 of the Internal Revenue Code, then he will be entitled to additional payments so that he remains in the same after-tax economic position he would have been in had the excise tax not been imposed; this provision is substantially identical to that



contained in their existing employment agreements.

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In the event that the merger is not completed, each of the separation agreements will be terminated and the rights and obligations of Mr. Kerr and Mr. Dufour will be governed by the terms of their employment agreements currently in effect with IMCO.

A number of IMCO's officers are parties to employment agreements with IMCO that provide for change in control severance provisions and post-employment consulting services. These arrangements provide that on completion of the merger, if the employment of any of these officers is terminated (1) by IMCO for any reason other than for cause (as defined in his employment agreement) or as a result of the officer's death or disability on or after the date which is 90 days prior to the change in control and (2) by the officer for good reason (as defined in his employment agreement) during a two-year period following the merger, the officer will be entitled to severance compensation as follows:

payments in an amount equal to 2.00 times (for Robert R. Holian, Joseph M. Byers, and David C. Rosenblum) and 1.50 times (for Mark Mantooth), the officer's base amount (as that term is defined under Section 280G under the Internal Revenue Code), payable in a lump sum or over a 23-month period (for Mr. Rosenblum) and a 12-month period (for Messrs. Holian, Byers and Mantooth); and

for the lesser of 12 months (for Mr. Mantooth) and 18 months (for Messrs. Holian, Byers and Rosenblum), or until the officer obtains comparable coverage through a subsequent employer, welfare benefits substantially similar to those that he was receiving or entitled to receive immediately prior to the termination.

Cash payments in an approximate aggregate amount of \$1.5 million would be made to Messrs. Holian, Byers, Rosenblum and Mantooth under the above described agreements if their employment is terminated under specified circumstances after the merger.

## **Accounting Treatment**

The merger will be accounted for as a business combination using the purchase method of accounting for business combinations. IMCO will be the acquirer for financial accounting purposes.

## **Refinancing Indebtedness in Connection with the Merger**

IMCO and Commonwealth have reviewed various alternatives with respect to the financing required to refinance Commonwealth's 10<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2006, refinance Commonwealth's obligations under its receivables purchase agreement and its senior revolving credit facility, and refinance outstanding indebtedness under IMCO's senior revolving credit facility.

Under the terms of the merger agreement, IMCO and Commonwealth have agreed to use their reasonable best efforts to complete financings in amounts sufficient so that, following completion of the merger, (1) Commonwealth will be able to fully redeem all of its outstanding 10<sup>3</sup>/<sub>4</sub>% senior subordinated notes due 2006, refinance in full all outstanding indebtedness under its senior credit facility and purchase all outstanding receivables previously sold under its receivables purchase agreement and (2) IMCO will be able to refinance in full all amounts outstanding under its senior credit agreement. IMCO and Commonwealth currently anticipate that these financings will include:

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\$125 million in new long-term unsecured debt of IMCO; and

borrowings under a proposed \$325 million amended and restated senior revolving credit facility.

It is expected that the total outstanding indebtedness of the combined company following completion of the merger and the refinancings described above will be approximately \$440 million. Completion of refinancings is a condition to consummation of the merger. In connection with these financings, the combined company will be subject to certain financial covenants.

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IMCO has received a commitment letter dated September 28, 2004 from PNC Bank, National Association, Citicorp USA, Inc. and Deutsche Bank Trust Company Americas, which provides, subject to the satisfaction of specified conditions and completion of definitive documentation, for a \$325 million amended and restated senior secured revolving credit facility. The terms of the commitment letter contemplate the amendment and restatement of IMCO's current senior revolving credit agreement, which will require the combined company to comply with various affirmative and negative covenants including, among other items, restrictions on its ability to (1) incur new debt, (2) make certain investments or acquisitions, (3) pay dividends or repurchase shares of capital stock, (4) make capital expenditures, (5) sell assets, and (6) grant liens. At any time during specified periods that the combined company's undrawn availability under its facility is less than \$50.0 million, the combined company will also be required to maintain a minimum fixed charge coverage ratio of 1.1x to 1 (calculated based on IMCO Recycling Inc. and its wholly owned domestic subsidiaries).

Under the terms of the proposed new long-term unsecured debt, the combined company will, among other items, be limited in its ability to (1) incur additional debt, (2) pay dividends, (3) grant liens, (4) engage in transactions with affiliates, (5) make investments, (6) transfer or sell assets, (7) restrict distributions from its restricted subsidiaries, (8) issue or sell stock of its subsidiaries, and (9) consolidate, merge or transfer all or substantially all of its or its restricted subsidiaries' assets.

The following table shows the estimated sources and uses of funds relating to the merger and the related transactions as if they had occurred on June 30, 2004:

**Proposed Sources and Uses of Funds**

	<b>Amount</b> <b>(in thousands)</b>
<b>Sources of Funds</b>	
Cash (1)	\$ 64,019
Proposed new unsecured debt of IMCO	125,000
Borrowings under proposed IMCO amended and restated senior credit facility (2)	119,155
<b>Total sources of funds</b>	<b>\$ 308,174</b>
<b>Uses of Funds</b>	
Purchase or redemption of Commonwealth 10 3/4% senior subordinated notes due 2006	\$ 125,000
Purchase of receivables to terminate Commonwealth's receivables purchase agreement (1)(2)	100,000
Repayment of outstanding debt under IMCO's senior credit facility (2)	43,286
Repayment of outstanding debt under Commonwealth's senior credit facility (1)(2)	8,588
Estimated transaction costs (3)	31,350
<b>Total uses of funds</b>	<b>\$ 308,174</b>

- (1) On July 30, 2004, Commonwealth sold its Alflex electrical products business for cash consideration of \$64.0 million. In August 2004, Commonwealth applied \$6.2 million of the net proceeds from this sale to repay amounts outstanding under its senior credit facility and \$50.0 million to purchase a portion of the outstanding receivables it had previously sold under its receivables purchase agreement. After giving effect to this purchase of Commonwealth's receivables, there would have been \$50.0 million in receivables eligible for purchase as of June 30, 2004. The remaining amount of net proceeds from the Alflex sale (approximately \$7.8 million) was included in

Commonwealth's cash on hand.

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- (2) In connection with the closing of the financing transactions and the completion of the merger, IMCO and Commonwealth expect to amend and restate and refinance debt outstanding under IMCO's senior credit facility, borrow amounts under it and terminate Commonwealth's senior credit facility. This proposed amended and restated senior credit facility is expected to provide for borrowings of up to \$325.0 million, subject to a borrowing base. In addition, it is expected that all outstanding receivables previously sold under Commonwealth's receivables purchase facility will be purchased in connection with the financing transactions, and that the facility will be terminated.
- (3) Estimated transaction costs include estimated discounts, commissions and expenses related to the financing transactions as well as financial advisory fees, certain change of control payments and other expenses related to the merger and the financing transactions. The combined company expects to incur additional one-time costs and expenses associated with combining the operations of the two companies. These additional one-time costs and expenses, which are included in the amounts shown above, are currently estimated to approximate between \$20.0 million and \$22.0 million and include Commonwealth's costs associated with the transaction, such as investment banker fees and attorneys fees, and certain severance costs.

Except as stated above, neither IMCO nor Commonwealth currently have commitments from any lender or other financing source for any financings. While IMCO and Commonwealth expect to be able to obtain the necessary financing to refinance the obligations listed above, no assurance can be given that IMCO and Commonwealth will successfully obtain the financing required to complete the merger, or if obtained, that such financing will be available on terms favorable to the combined company.

IMCO and Commonwealth have agreed to share equally certain financing costs and expenses in the event the merger is not completed.

## **Status of Regulatory Approvals**

Under the HSR Act, the merger may not be completed unless IMCO and Commonwealth file premerger notification and report forms with the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice, and the waiting period under the HSR Act expires or is earlier terminated. On July 21, 2004, IMCO and Commonwealth submitted the regulatory filings to the U.S. Federal Trade Commission and the Antitrust Division. IMCO and Commonwealth have received notice of early termination of the waiting period.

Each state and foreign country in which IMCO or Commonwealth has operations also may review the merger under state or foreign antitrust laws. On August 20, 2004, IMCO and Commonwealth submitted required filings to the German Federal Cartel Office. On September 1, 2004, IMCO and Commonwealth received clearance from the German Federal Cartel Office.

At any time before the effective time of the merger, the Federal Trade Commission, the Antitrust Division, a state or non-U.S. governmental authority or a private person or an entity could seek under the antitrust laws, among other things, to enjoin the merger or to cause IMCO or Commonwealth to divest assets or businesses as a condition to completion of the merger. If a challenge to the merger is made, IMCO and Commonwealth may not prevail. The obligations of IMCO and Commonwealth to consummate the merger are subject to the condition that there be no order or injunction of a U.S. or non-U.S. court of competent jurisdiction or other governmental authority that prohibits the consummation of the merger. Other than as described in this joint proxy statement/prospectus, the merger does not require the approval of any other U.S. federal or state or foreign agency.

## **Appraisal and Dissenters' Rights are not Available in Connection with the Merger**

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Under Delaware law, because the shares of Commonwealth common stock are listed on the Nasdaq National Market and the merger consideration consists of shares of IMCO common stock that will remain listed on the NYSE after the merger, Commonwealth stockholders will not have dissenters' rights to an appraisal of their shares of Commonwealth common stock in connection with the merger.

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### **Commonwealth's Common Stock will be Delisted and Deregistered after the Merger; IMCO Name Change**

If the merger is completed, the shares of Commonwealth common stock will be delisted from the Nasdaq National Market and will be deregistered under the Securities Exchange Act of 1934. The stockholders of Commonwealth will become stockholders of IMCO and their rights as stockholders will be governed by IMCO's certificate of incorporation and bylaws and by the laws of the State of Delaware. See "Comparison of Stockholders' Rights" beginning on page 109 of this joint proxy statement/prospectus. We expect that IMCO will change its name to Aleris International, Inc. promptly following the merger.

### **Federal Securities Laws Consequences; Resale Restrictions**

All shares of IMCO common stock that will be distributed to Commonwealth stockholders in the merger will be freely transferable, except for restrictions applicable to affiliates of Commonwealth or IMCO. Persons who are deemed to be affiliates of Commonwealth may resell IMCO shares received by them only in transactions permitted by the resale provisions of Rule 145 or as otherwise permitted under the Securities Act of 1933. Persons who may be deemed to be affiliates of Commonwealth generally include executive officers, directors and significant stockholders of Commonwealth. Persons who are deemed to be affiliates of IMCO may sell their IMCO shares only in transactions permitted by the resale provisions of Rule 144 or as otherwise permitted under the Securities Act of 1933. Persons who may be deemed to be affiliates of IMCO generally include executive officers, directors and significant stockholders of IMCO. The merger agreement requires Commonwealth to cause each of its directors and executive officers who Commonwealth believes may be deemed to be affiliates of Commonwealth to execute a written agreement to the effect that those persons will not sell, assign or transfer any of the IMCO shares issued to them in the merger unless that sale, assignment or transfer has been registered under the Securities Act of 1933, is in conformity with Rule 145 or is otherwise exempt from the registration requirements under the Securities Act of 1933.

This joint proxy statement/prospectus does not cover any resales of the IMCO shares to be received by Commonwealth's stockholders in the merger, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any resale.



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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes the material U.S. federal income tax consequences of the merger to U.S. holders. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations promulgated under the Code, court decisions, published positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is limited to holders who hold Commonwealth shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of their particular circumstances or to holders who may be subject to special treatment under U.S. federal income tax laws, such as tax exempt organizations, foreign persons or entities, financial institutions, insurance companies, broker-dealers, holders who hold Commonwealth shares as part of a hedge, straddle, wash sale, synthetic security, conversion transaction, or other integrated investment comprised of Commonwealth shares and one or more investments, holders with a functional currency (as defined in the Code) other than the U.S. dollar, and persons who acquired Commonwealth shares in compensatory transactions. Further, this discussion does not address any aspect of state, local or foreign taxation. No ruling has been or will be obtained from the Internal Revenue Service regarding any matter relating to the merger and no assurance can be given that the Internal Revenue Service will not assert, or that a court will not sustain, a position contrary to any of the tax aspects described below. Holders should consult their own tax advisors as to the U.S. federal income tax consequences of the merger in light of their particular facts and circumstances, as well as the effects of state, local and foreign tax laws.

As used in this summary, a U.S. holder includes:

an individual U.S. citizen or resident alien;

a corporation, partnership or other entity created or organized under U.S. law (federal or state);

an estate whose worldwide income is subject to U.S. federal income tax; or

a trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Commonwealth shares, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Holders of Commonwealth shares that are partnerships and partners in such partnerships are urged to consult their tax advisors regarding the U.S. federal income tax consequences of owning and disposing of Commonwealth shares in the merger.

**This summary is not a substitute for an individual analysis of the tax consequences of the merger to you. You should consult a tax advisor regarding the particular federal, state, local and foreign tax consequences of the merger in light of your particular facts and circumstances.**

Fulbright & Jaworski L.L.P., counsel to IMCO, and Sullivan & Cromwell LLP, counsel to Commonwealth, have delivered opinions, dated October 21, 2004, to IMCO and Commonwealth, respectively, to the effect that, among other things, if the merger is consummated in accordance with the merger agreement, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the closing of the merger that these opinions are reaffirmed as of the closing date. If certain

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events, some of which are described below, occur between the date of this joint proxy statement/prospectus and the closing of the merger, each counsel may be unable to reaffirm its opinion. In that event, and if IMCO and Commonwealth elected to waive that condition, IMCO and Commonwealth each undertake that they would amend this joint proxy statement/prospectus to revise this discussion of material U.S. federal income tax consequences and would recirculate an amended joint proxy statement/prospectus to their respective stockholders.

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The opinions of Fulbright & Jaworski L.L.P. and Sullivan & Cromwell LLP, which are required as a condition to closing the merger, are and will be based on U.S. federal income tax law in effect as of the date of the opinions. An opinion of counsel is not binding on the Internal Revenue Service or any court and the Internal Revenue Service may challenge some or all of the conclusions set forth in these opinions. In rendering the opinions, Fulbright & Jaworski L.L.P. and Sullivan & Cromwell LLP will rely on certain assumptions, including assumptions regarding the absence of changes in existing facts and the completion of the merger strictly in accordance with the merger agreement and this joint proxy statement/prospectus. The opinions will also rely upon certain factual representations and covenants of IMCO and Commonwealth, including the representation that no consideration other than IMCO shares will be delivered in exchange for the Commonwealth shares, and the opinions will assume that these representations are true, correct and complete without regard to any knowledge limitation, and that these covenants will be complied with. If any of these assumptions or representations are inaccurate in any way, or any of the covenants are not complied with, each counsel may be unable to reaffirm its opinion.

## **Tax Consequences of the Merger to U.S. Holders of Commonwealth Common Stock**

### *The Merger*

In a merger that qualifies as a reorganization under Section 368(a) of the Code, the U.S. federal income tax consequences will include the following:

No gain or loss will be recognized by IMCO or Commonwealth as a result of the merger;

No gain or loss will be recognized by Commonwealth stockholders who exchange all of their Commonwealth shares for IMCO shares in the merger;

The tax basis of the IMCO shares received by a Commonwealth stockholder in the merger (including any fractional share not actually received) will be the same as the tax basis of the Commonwealth shares surrendered in exchange therefore;

The holding period of the IMCO shares received by a Commonwealth stockholder in the merger will include the holding period of the Commonwealth shares surrendered in exchange therefore; and

A cash payment in lieu of a fraction of a share will be treated as if a fractional share of IMCO shares had been received in the merger and then redeemed by IMCO. Such redemption should qualify as a distribution in full payment in exchange for the fractional share rather than as a distribution of a dividend. Accordingly, a Commonwealth stockholder receiving cash in lieu of a fraction of a share will recognize gain or loss upon such payment in an amount equal to the difference, if any, between such Commonwealth stockholder's basis in the fractional share and the amount of cash received.

In the event that the merger were held not to qualify as a reorganization under Section 368(a) of the Code, a Commonwealth stockholder would recognize gain or loss in an amount equal to the difference between the stockholder's basis in his or her shares and the fair market value, as of the effective date of the merger, of the IMCO shares received in exchange therefore. In such event, the stockholder's basis in the IMCO shares so received would be equal to its fair market value as of the effective date of the merger, and the holding period for such stock would begin on the day after the effective date of the merger.

*Backup Withholding*

United States federal income tax law requires that a holder of Commonwealth shares provide the exchange agent with his or her correct taxpayer identification number, which is, in the case of a U.S. holder who is an individual, a social security number, or, in the alternative, establish a basis for exemption from backup withholding. Exempt holders, including, among others, corporations and some foreign individuals, are not subject to backup withholding and reporting requirements. If the correct taxpayer identification number or an adequate basis for exemption is not provided, a holder will be subject to backup withholding on any reportable

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payment. Any amounts withheld under the backup withholding rules from a payment to a U.S. holder will be allowed as a credit against that U.S. holder's U.S. federal income tax and may entitle the U.S. holder to a refund, if the required information is furnished to the Internal Revenue Service.

To prevent backup withholding, each holder of Commonwealth shares must complete the Substitute Form W-9 which will be provided by the exchange agent with the transmittal letter and certify under penalties of perjury that:

the taxpayer identification number provided is correct or that the holder is awaiting a taxpayer identification number, and

the holder is not subject to backup withholding because

the holder is exempt from backup withholding,

the holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of the failure to report all interest or dividends, or

the Internal Revenue Service has notified the holder that he or she is no longer subject to backup withholding.

The Substitute Form W-9 must be completed, signed and returned to the exchange agent.

*Information Reporting*

Commonwealth stockholders receiving IMCO shares in the merger should file a statement with their U.S. federal income tax return setting forth their adjusted tax basis in Commonwealth shares exchanged in the merger, as well as the fair market value of the IMCO shares received in the merger. In addition, Commonwealth stockholders will be required to retain permanent records of these facts relating to the merger.

**Each Commonwealth stockholder should consult a tax adviser as to the particular consequences of the merger that may apply to such stockholder in light of such stockholder's particular facts and circumstances, including the application of federal, state, local and other foreign tax laws.**

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**THE MERGER AGREEMENT**

The following is a summary of the material provisions of the merger agreement, a copy of which is attached as *Annex A* to this joint proxy statement/prospectus and is incorporated in this joint proxy statement/prospectus by reference. We encourage you to read the merger agreement because it, and not this document, is the legal document that governs the merger.

**The Merger**

Upon the terms and subject to the conditions of the merger agreement, and in accordance with the DGCL, at the effective time of the merger, Merger Sub will merge with and into Commonwealth. Commonwealth will continue as the surviving company and an indirect wholly owned subsidiary of IMCO and the separate corporate existence of Merger Sub will cease.

The closing of the merger will occur on the third business day following the day on which all conditions to the merger, other than those conditions that by their nature are to be satisfied at the closing, have been satisfied or waived, unless the parties agree on another time.

Contemporaneously with the closing of the merger, Commonwealth and IMCO will cause a certificate of merger to be filed with the Secretary of State of the State of Delaware. The effective time of the merger will be the time the certificate of merger is filed with the Secretary of State of the State of Delaware or at a later time as we may agree and specify in the certificate of merger.

**Each Share of Commonwealth's Common Stock Will Be Converted into 0.815 of a Share of IMCO Common Stock**

Upon the effectiveness of the merger, each share of Commonwealth common stock (other than any shares owned directly or indirectly by Merger Sub and IMCO or any direct or indirect wholly owned subsidiary of IMCO or of Commonwealth and those shares held in the treasury of Commonwealth) will be converted into the right to receive 0.815 of a share of IMCO common stock. The number of shares of IMCO common stock per share of Commonwealth common stock is fixed and will not be adjusted based on increases or decreases in IMCO's stock price.

No fractional shares of IMCO common stock will be issued in the merger and cash will be paid in lieu of a fraction of a share. The amount of cash paid will be an amount equal to the resulting fraction multiplied by the average of the per share closing prices on the New York Stock Exchange of shares of IMCO common stock during the ten consecutive trading days ending on (and including) the trading day immediately preceding the closing date of the merger and will be paid without interest.

**Procedures for Exchange of Certificates of Commonwealth Common Stock for IMCO Common Stock**

As promptly as practicable after the effective time of the merger, IMCO will deposit with the exchange agent, for the benefit of the holders of Commonwealth common stock, certificates representing shares of IMCO common stock sufficient to effect the conversion of Commonwealth

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common stock into shares of IMCO common stock. IMCO will also make funds available to the exchange agent from time to time after the effective time of the merger as required to pay any cash instead of fractional shares or any dividends or other distributions declared by IMCO on shares of IMCO common stock with a record date after the effective time of the merger.

As promptly as practicable (but no later than five business days) after the effective time of the merger, IMCO is required to cause the exchange agent to mail to each person who was, at the effective time, a holder of record of Commonwealth shares entitled to receive the merger consideration, a letter of transmittal and instructions to surrender Commonwealth stock. Upon surrender to the exchange agent of a certificate representing Commonwealth shares for cancellation, together with the letter of transmittal, the holder of the Commonwealth shares will receive the shares of IMCO common stock which the holder has the right to receive and cash in lieu of a fraction of a share.

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At the effective time of the merger, the stock transfer books of Commonwealth will be closed and no further registration of or transfers of Commonwealth common stock will be made. If, after the effective time, valid Commonwealth stock certificates are presented to the exchange agent or IMCO for any reason, they will be cancelled and exchanged as described above to the extent allowed by applicable law.

### **Termination of Exchange Fund**

The exchange agent will deliver to IMCO any shares of IMCO common stock to be issued in the merger, cash in lieu of a fraction of a share in connection with the merger or to pay dividends or other distributions on IMCO shares to be issued in the merger that are not claimed by former Commonwealth stockholders within one year after the effective time of the merger. Thereafter, former Commonwealth stockholders shall look only to IMCO for payment of their shares of IMCO common stock, cash in lieu of a fraction of a share and unpaid dividends and distributions. None of the exchange agent, IMCO, or the surviving corporation will be liable to any former Commonwealth stockholder for any shares or dividends or distributions with respect thereto, or cash delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

### **Treatment of Commonwealth Stock Options**

Pursuant to separate agreements the vesting of all stock options awarded to Steven J. Demetriou, Michael D. Friday, Christopher R. Clegg and Sean M. Stack (and options granted to John Wasz in September 2004), all under Commonwealth's 1997 Stock Incentive Plan, as amended and restated, will not accelerate as a result of the merger. These options will remain outstanding following the merger and will be subject to the same terms, conditions and vesting periods as before the merger. All other options outstanding under Commonwealth's 1995 Stock Incentive Plan, as amended and restated and its 1997 Stock Incentive Plan, whether or not exercisable and whether or not vested at the effective time of the merger, will, in accordance with the terms of such plans, be fully vested and exercisable upon, and shall remain outstanding following the effective time of the merger in accordance with the terms of the plans under which they were issued. At the effective time of the merger, all such options will be assumed by IMCO under section 424(a) of the Internal Revenue Code. From and after the effective time of the merger, each option will be exercisable upon the same terms and conditions as were applicable under the applicable Commonwealth stock incentive plan and the applicable option agreement thereunder immediately prior to the effective time of the merger. Each option will be exercisable for and represent the right to acquire that whole number of shares of IMCO common stock, rounded down to the nearest whole share, equal to the number of shares of Commonwealth common stock subject to such option immediately prior to the effective time of the merger multiplied by 0.815. The exercise price per share of IMCO common stock will be an amount equal to the exercise price per share of Commonwealth common stock subject to such option in effect immediately prior to the effective time of the merger divided by 0.815.

Upon completion of the merger, IMCO will amend the Commonwealth 1995 Stock Incentive Plan and the Commonwealth 1997 Stock Incentive Plan to (1) provide that IMCO will assume sponsorship of both of the Commonwealth stock incentive plans, (2) provide that IMCO common stock will be issued upon the exercise of any options or the payment of any other stock-based awards under the Commonwealth stock incentive plans, (3) appropriately adjust the number of shares available for grants under the Commonwealth stock incentive plans to reflect the merger, (4) provide that the term of each of the Commonwealth stock incentive plans during which shares are available for grants under each plan will not be extended beyond their presently existing terms, (5) provide that no option or other award granted under the Commonwealth stock incentive plans shall be granted to individuals who were employed, immediately before the merger, by IMCO or any subsidiary of IMCO immediately before the merger, and (6) otherwise appropriately reflect the substitution of IMCO common stock for Commonwealth common stock under both of the Commonwealth stock incentive plans and their related agreements. After giving effect to the merger, as of October 12, 2004, the maximum aggregate number of shares of IMCO common stock that may be issued under the Commonwealth stock incentive plans are as follows:



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<u>Plan Name</u>	<u>Maximum Number of Shares Of IMCO Common Stock That May Be Issued Under Outstanding Grants and Awards</u>	<u>Maximum Number of Shares Of IMCO Common Stock That May Be Issued Under Future Grants and Awards</u>	<u>Maximum Number of Shares Of IMCO Common Stock That May Be Issued Under Assumed Commonwealth Stock Incentive Plans</u>
Commonwealth 1995 Stock Incentive Plan	[ ]	[ ]	[ ]
Commonwealth 1997 Stock Incentive Plan	[ ]	[ ]	[ ]
Maximum aggregate number of shares of IMCO common stock that may be issued under assumed Commonwealth stock incentive plans	1,118,203	575,115	1,693,318

**Representations and Warranties**

The merger agreement contains customary and substantially reciprocal representations and warranties made by each of IMCO and Commonwealth to the other. These representations and warranties relate to, among other things:

corporate organization, qualification and good standing and ownership of subsidiaries;

organizational documents;

capitalization;

corporate power and authority to enter into the merger agreement, and due execution, delivery and enforceability of the merger agreement;

absence of a conflict with or a breach of charter documents, bylaws, and material agreements, orders, decrees, licenses or permits as a result of the merger;

authorizations, consents, approvals and filings required to enter into the merger agreement and to complete the transactions contemplated by the merger agreement;

compliance with laws and government licenses and permits;

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timely and accurate filings with the Securities and Exchange Commission in compliance with applicable rules and regulations;

disclosure pertaining to internal control over financial reporting;

absence of specified adverse changes or events;

absence of undisclosed litigation, suits, claims, actions, proceedings or investigations, both pending and threatened;

employee benefits and ERISA compliance;

labor and employment matters;

title to and valid leasehold interest in real property;

intellectual property;

tax matters;

environmental matters;

material contracts;

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hedging arrangements;

insurance matters;

board approval and required vote of stockholders to approve the merger;

opinions of financial advisors;

brokers and finders' fees; and

application of takeover statutes.

In addition, Commonwealth represented that it had made appropriate amendments to its stockholder rights plan to exclude the merger and any transactions contemplated by the merger agreement.

**Conduct of Business Pending Merger**

*Conduct of Business by Commonwealth Pending the Merger*

Prior to the effective time of the merger, Commonwealth has agreed to conduct its operations and the operations of its subsidiaries in the ordinary course in substantially the same manner as previously conducted and to use all commercially reasonable efforts to preserve intact its business organization and goodwill. Prior to the effective time of the merger, and unless IMCO consents otherwise in writing, with certain exceptions, Commonwealth and its subsidiaries have agreed not to:

amend Commonwealth's certificate of incorporation or bylaws or the certificate of incorporation, bylaws or equivalent organizational documents of any subsidiary that is not wholly owned, directly or indirectly, by Commonwealth;

issue, sell, pledge, dispose of, grant or otherwise encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any of its capital stock or voting debt or any securities convertible into, or any rights, warrants or options to acquire, any such capital stock, or any other ownership interest of Commonwealth or any of its subsidiaries (other than issuance of rights under the stockholder rights plan, issuance of shares pursuant to outstanding options and certain permitted option grants);

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except for dividends by any direct or indirect wholly owned subsidiary of Commonwealth to Commonwealth or any other subsidiary of Commonwealth;

reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of the capital stock of Commonwealth or any of its subsidiaries;

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acquire any business, entity or, outside the ordinary course of business, assets for a purchase price or having a fair market value of greater than \$3.0 million in the aggregate;

dispose of any material portion of its business or assets outside the ordinary course of business consistent with past practice;

except for intercompany indebtedness between Commonwealth and, or among, wholly owned direct or indirect Commonwealth subsidiaries and borrowings or proceeds under existing credit facilities, incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person, or make any loans or advances, or grant any security interest in any of its assets;

enter into any other material contract other than in the ordinary course of business consistent with past practice;

authorize, or make any commitment with respect to, any capital expenditure which is in excess of the amounts set forth in the 2004 business plan of Commonwealth;

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increase the compensation payable or to become payable or the benefits provided to its directors, officers or employees, except for increases in the ordinary course of business consistent with past practice, or enter into any employment or severance agreement with any director, officer or employee, or establish, adopt, enter into or amend any Commonwealth benefit plan or collective bargaining agreement, other than amendments required by law or that would not result in a material increase in benefits thereunder;

change in any material respect its accounting principles, methods or practices used by it, except as required by GAAP;

make, change or revoke any material tax election, settle or compromise any material tax liability or consent to any claim or assessment in an amount exceeding \$300,000 relating to taxes or grant any waiver of the statute of limitations for any such claim or assessment;

pay, discharge or satisfy any claim, liability or obligation, other than in the ordinary course of business consistent with past practice;

amend, modify or consent to the termination of any material contract of Commonwealth, or amend, waive, modify or consent to the termination of any material rights thereunder, other than in each case in the ordinary course of business consistent with past practice, provided that neither Commonwealth nor its subsidiaries shall amend, modify or consent to the termination of any debt agreement of Commonwealth;

settle any material action;

permit any item of Commonwealth owned intellectual property to lapse or to be abandoned, dedicated, or disclaimed, fail to perform or make any applicable findings, recordings or other similar actions or filings, or fail to pay all required fees and taxes required or advisable to maintain and protect its interest in each such item; or

make a binding commitment to do any of the foregoing.

*Conduct of Business by IMCO Pending the Merger*

Prior to the effective time of the merger, IMCO has agreed to conduct its operations in the ordinary course in substantially the same manner as previously conducted and to use all reasonable efforts to preserve intact its business organization and goodwill. Prior to the effective time of the merger, and unless Commonwealth consents otherwise in writing, with certain exceptions, IMCO and its subsidiaries have agreed not to:

amend IMCO's or Merger Subsidiary's certificate of incorporation or bylaws, or the certificate of incorporation, bylaws or equivalent organizational documents of any subsidiary that is not wholly owned, directly or indirectly, by IMCO;

issue, sell, pledge, dispose of, grant or otherwise encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any of its capital stock or voting debt or any securities convertible into, or any rights, warrants or options to acquire, any such capital stock, or any other ownership interest of IMCO or any of its subsidiaries (other than issuance of shares pursuant to outstanding options and certain permitted option grants);

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except for dividends by any direct or indirect wholly owned subsidiary of IMCO to IMCO or any other subsidiary of IMCO;

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reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of the capital stock of IMCO or any of its subsidiaries;

acquire or agree to acquire any business, entity or, outside the ordinary course of business, assets for a purchase price or having a fair market value of greater than \$3.0 million in the aggregate;

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dispose of any material portion of its business or assets outside the ordinary course of business consistent with past practice;

except for intercompany indebtedness between IMCO and, or among, wholly owned subsidiaries of IMCO and borrowings or proceeds under existing credit facilities, incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person, or make any loans or advances, or grant any security interest in any of its assets;

enter into any other material contract other than in the ordinary course of business consistent with past practice;

authorize, or make any commitment with respect to, any capital expenditure which is in excess of the amounts permitted under the debt facilities of IMCO;

increase the compensation payable or to become payable or the benefits provided to its directors, officers or employees, except for increases in the ordinary course of business consistent with past practice, or enter into any employment or severance agreement with any director, officer or employee, or establish, adopt, enter into or amend any IMCO benefit plan or collective bargaining agreement, other than amendments required by law or that would not result in a material increase in benefits thereunder;

change in any material respect its accounting principles, methods or practices used by it, except as required by GAAP;

make, change or revoke any material tax election, settle or compromise any material tax liability or consent to any claim or assessment in an amount exceeding \$300,000 relating to taxes or grant any waiver of the statute of limitations for any such claim or assessment;

pay, discharge or satisfy any claim, liability or obligation, other than in the ordinary course of business consistent with past practice;

amend, modify or consent to the termination of any material contract of IMCO, or amend, waive, modify or consent to the termination of any material rights thereunder, other than in each case in the ordinary course of business consistent with past practice, provided that neither IMCO, nor its subsidiaries shall amend, modify or consent to the termination of any debt agreement of IMCO;

settle any material action;

permit any item of IMCO owned intellectual property to lapse or to be abandoned, dedicated, or disclaimed, fail to perform or make any applicable findings, recordings or other similar actions or filings, or fail to pay all required fees and taxes required or advisable to maintain and protect its interest in each such item; or

make a binding commitment to do any of the foregoing.

**Governance**

The merger agreement contains provisions related to the post-merger governance of the combined company. In the merger agreement, IMCO agreed to adopt the amendments to the bylaws of IMCO as described in the section entitled Amendments to IMCO Bylaws below, to be effective upon the completion of the merger, which implement the provisions of the merger agreement described above. The merger agreement provides that the total number of directors constituting the entire board of directors of IMCO immediately following completion of the merger will be nine, comprised as follows:

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four will be current IMCO directors designated by IMCO, of which at least three will be independent,

four will be current Commonwealth directors designated by Commonwealth, of which at least three will be independent, and



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Steven Demetriou, as the appointed chairman of the board and chief executive officer of IMCO and Commonwealth as a combined company, will be the ninth director.

No other directors or employees of IMCO or Commonwealth will be designated to serve on the initial board of directors of the combined company upon the completion of the merger.

Under the merger agreement, on or prior to the effectiveness of the merger, IMCO will take such actions as are necessary to cause one Continuing Commonwealth Director (as defined below) and Steven Demetriou to be appointed to be class I directors (term expires 2007) of the IMCO board, two Continuing Commonwealth Directors to be appointed to be class II directors (term expires 2006) of the IMCO board, and one Continuing Commonwealth Director to be appointed to be a class III director (term expires 2005) of the IMCO board, all to be effective immediately following the completion of the merger. It is expected that John E. Grimes, currently a class I director of the IMCO board, will resign from that class and be appointed as a class II director. The merger agreement provides that IMCO and Commonwealth will ensure that at least three of the directors designated by each of them shall be independent for purposes of the rules and regulations of the NYSE.

The merger agreement describes the individuals who are directors of IMCO and of Commonwealth (and their successors) who will constitute the board of directors for IMCO and Commonwealth as a combined company after the completion of the merger and for a period of two years following the closing date of the merger. Continuing IMCO Directors are defined as the directors of IMCO selected by the IMCO board of directors before the closing date of the merger to be directors of IMCO immediately following the effectiveness of the merger, and their successors who are designated by a majority of the Continuing IMCO Directors. Continuing Commonwealth Directors are defined as the directors of IMCO who were selected by the Commonwealth board of directors before the closing date of the merger to be directors of IMCO immediately following the effectiveness of the merger, and their successors who are designated by a majority of the Continuing Commonwealth Directors. Under this definition, Steven Demetriou is not a Continuing Commonwealth Director.

Before the closing of the merger, IMCO will reconstitute the four standing committees of its board of directors so that (1) each committee will be comprised of four members, with two of such members being Continuing IMCO Directors and two of such members being Continuing Commonwealth Directors, and (2) the Chairpersons of the compensation committee and nominating and governance committee will be Continuing IMCO directors and the chairpersons of the audit committee and environmental committee will be Continuing Commonwealth Directors, all to be effective immediately following the completion of the merger.

Before the closing of the merger, IMCO will take such actions as are necessary to cause Steven Demetriou to be elected or appointed as chief executive officer and chairman of the board of directors of IMCO, Michael Friday to be elected or appointed as chief financial officer of IMCO, each on substantially the terms described in Management of IMCO following the Merger Employment Arrangements, with such appointments to be effective immediately following completion of the merger. IMCO also agreed that it would take such action as is necessary prior to the closing date of the merger to change its corporate name to a name proposed by Mr. Demetriou after consultation with the IMCO board of directors and the Commonwealth board of directors, without the need for approval by the IMCO stockholders.

Under the merger agreement, IMCO agreed that its board of directors would adopt a resolution waiving compliance with the maximum age provisions contained in IMCO's corporate governance guidelines to permit the Commonwealth directors to join the IMCO board, and would maintain that waiver in effect until the successors for all such directors were qualified and assumed office.

In addition, the merger agreement provided that IMCO and Commonwealth would each form ad hoc committees, each being comprised of three of its directors, to jointly consider and make appointments, effective immediately following completion of the merger, of individuals to the officer positions of the business of IMCO and Commonwealth as a combined company who will directly report to Mr. Demetriou as chief

executive officer

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of IMCO. All candidates for the officer positions must be recommended in good faith by Mr. Demetriou. These ad hoc committees will be disbanded at the completion of the merger.

## **Employee Benefit Matters**

IMCO will cause the surviving corporation to maintain all welfare benefit plans of Commonwealth for those individuals who were employees of Commonwealth or any of its subsidiaries at the effective time of the merger, in accordance with the terms of such plans in effect immediately before the effective time, without amendment, other than amendments that do not decrease benefits or that are required by law, for a period from the effective time through at least January 1, 2006.

Generally, IMCO will grant to the individuals who, as of the effective time of the merger, were employees of Commonwealth or any of its subsidiaries credit for past service with Commonwealth for purposes of eligibility and vesting under any employee benefit plans maintained by IMCO, to the same extent as such employee was entitled under the Commonwealth plan immediately before the effective time. IMCO will take such actions as are necessary so that each Commonwealth employee who continues as an employee of IMCO, the surviving company or any of their subsidiaries will not be subject to waiting periods, preexisting condition exclusions or actively-at-work requirements for coverages under any IMCO benefit plan to the extent that these preexisting condition exclusions or waiting periods were waived or satisfied under Commonwealth's plans immediately prior to the closing of the merger.

## **Indemnification and Insurance**

Following the effective time of the merger, IMCO will indemnify, defend and hold harmless each person who is or was an officer or director of Commonwealth or any of its subsidiaries at or prior to the effective time of the merger. This indemnification will include indemnification against: all costs, expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger (whether asserted or claimed prior to, at or after the effective time of the merger) to the fullest extent permitted by law. Subject to certain conditions, IMCO will also be under the obligation to advance expenses in connection with such matters.

For six years after the effective time of the merger, IMCO will cause the surviving corporation to maintain in effect directors' and officers' liability insurance covering matters existing or occurring prior to the effective time of the merger with respect to those directors and officers of Commonwealth who were covered by, and on terms and in amounts no less favorable than those of, Commonwealth's directors' and officers' liability insurance at the time immediately prior to the effective time of the merger. The surviving corporation will not be required to pay aggregate annual premiums for the insurance described in this paragraph in excess of \$1.6 million. However, if the annual premiums of the insurance coverage exceed that amount, the surviving corporation must obtain and maintain insurance having the best coverage available for a cost of up to, but not exceeding, \$1.6 million. However, the surviving corporation's obligation to provide such insurance will be satisfied if, prior to the closing, Commonwealth shall have obtained prepaid policies, which provide such directors and officers with coverage no less advantageous to the insured than the policies in place immediately prior to the effective time of the merger for an aggregate period of six years pertaining to claims arising from facts or events that occurred on or before the effective time including those pertaining to the merger agreement and the transactions contemplated thereby.

## **Financing**

Commonwealth and IMCO have agreed to use their reasonable best efforts to obtain financing which provides funds immediately following the effective time of the merger in an amount sufficient to fully redeem Commonwealth's 10 3/4% Senior Subordinated Notes due 2006 together with accrued and unpaid interest thereon and refinance in full both Commonwealth's existing accounts receivables financing and both IMCO's and

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Commonwealth's revolving credit facilities in the amounts outstanding immediately prior to the closing. Obtaining this financing is a condition to the obligations of each of IMCO and Commonwealth to complete the merger. As a result, if the financing cannot be obtained, or cannot be obtained on acceptable terms, the merger may not be consummated.

See "The Merger - Refinancing Indebtedness in Connection with the Merger" beginning on page 70.

## **Amendments to IMCO Bylaws**

This section of the joint proxy statement/prospectus describes the material terms of the amendments to IMCO's bylaws as agreed to in the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the amendments to IMCO's bylaws, which are incorporated by reference and attached as *Annex D* to this joint proxy statement/prospectus. We urge you to read the full text of these amendments. The bylaws of IMCO will be amended, effective upon the completion of the merger, to add a new bylaw providing the following:

that the IMCO board of directors has resolved that, effective immediately following the completion of the merger, Steven Demetriou will serve as chairman of the board and chief executive officer of IMCO;

that immediately following the effective date of the merger until the second anniversary of the closing date of the merger, the board of directors will be comprised of the chairman of the board and chief executive officer, and an equal number of Continuing IMCO Directors and Continuing Commonwealth Directors as those terms are described in "Governance" above, the retirement or removal of a Continuing IMCO Director shall not require any Continuing Commonwealth Director to resign from the board of directors, and any vacancy on the board of directors caused by the death, resignation, retirement or removal of a Continuing Commonwealth Director shall not require a Continuing IMCO Director to resign from the board of directors to be in compliance with this bylaw;

that committees of the IMCO board of directors will be reconstituted immediately following the effective time of the merger, to be comprised of an equal number of Continuing Commonwealth Directors and Continuing IMCO Directors;

that until the second anniversary of the closing date of the merger, any action of the board of directors to nominate for election any person or persons as a director of IMCO at any annual or special meeting, or by written consent, of the stockholders of IMCO who is not a Continuing IMCO Director or a Continuing Commonwealth Director will require the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the directors then in office;

that until the second anniversary of the closing date of the merger, any amendment or modification by the board of directors of the charter of IMCO's nominating and governance committee of the board will require the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the directors then in office; and

that the new bylaw may be modified, amended or repealed, and any bylaw provision inconsistent with the provisions of this new bylaw may be adopted, only by an affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the directors then in office or by the affirmative vote of holders of at least 60% of the voting power of all of the then-outstanding shares of IMCO voting stock, voting together as a single class.

## **Conditions Precedent**

*Conditions to Each Party's Obligation to Effect the Merger*

The obligations of IMCO, Merger Sub and Commonwealth to complete the merger are subject to the following conditions:

continued effectiveness of the registration statement of which this joint proxy statement/prospectus is a part;

adoption of the merger agreement by the holders of a majority of the outstanding Commonwealth shares entitled to vote at the Commonwealth special meeting;

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approval of the stock issuance pursuant to and in accordance with the merger agreement by a majority of the votes cast at the IMCO special meeting by the holders of IMCO common stock, provided that the total vote cast on this proposal exceeds 50% of the shares of common stock outstanding and entitled to vote;

absence of any law, rule, regulation, judgment, decree, executive order or award prohibiting the consummation of the merger;

expiration or early termination of the waiting period under the Hart-Scott-Rodino Act and the receipt of consents or approvals under foreign antitrust laws required to consummate the transactions contemplated by the merger agreement, except where the failure to obtain such consent and approvals from a foreign governmental authority would not have a material adverse effect on the combined IMCO and Commonwealth following the closing;

approval for listing of the IMCO shares to be issued in the merger on the New York Stock Exchange, subject to official notice of issuance; and

either (1) a commitment letter contemplating a financing in an amount sufficient to fully redeem Commonwealth's 10 1/4% Senior Subordinated Notes due 2006 and refinance in full IMCO's and Commonwealth's credit facilities shall have been obtained and all conditions (other than the consummation of the merger and bring-down conditions that we reasonably believe will be satisfied or waived) shall have been satisfied or waived, or (2) all conditions (other than the consummation of the merger and bring-down conditions that we reasonably believe will be satisfied or waived) to obtaining the agreed financing shall have been satisfied or waived.

*Conditions to Obligations of IMCO and Merger Sub*

Unless waived in whole or in part by IMCO and Merger Sub, the obligations of IMCO and Merger Sub to effect the merger are subject to the following conditions:

the truth and correctness of Commonwealth's representations or warranties in the merger agreement, except where the failure to be true and correct has not had a material adverse effect on Commonwealth;

Commonwealth's performance in all material respects of its agreements and covenants under the merger agreement; and

receipt of an opinion satisfactory to IMCO of its special tax counsel, Fulbright & Jaworski L.L.P., to the effect that, if the merger is consummated in accordance with the terms of the merger agreement, the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

*Conditions to Obligations of Commonwealth*

Unless waived in whole or in part by Commonwealth, the obligations of Commonwealth to effect the merger are subject to the following conditions:

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the truth and correctness of IMCO's representations or warranties in the merger agreement, except where the failure to be true and correct has not had a material adverse effect on IMCO;

IMCO's and Merger Subs' performance in all material respects of their agreements and covenants under the merger agreement; and

receipt of an opinion satisfactory to Commonwealth of its special tax counsel, Sullivan & Cromwell LLP, to the effect that, if the merger is consummated in accordance with the terms of the merger agreement, the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.



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### **No Solicitation of Alternative Proposals**

IMCO and Commonwealth each agrees that neither it, nor any of its subsidiaries, nor any of its officers, directors, employees or representatives, nor any officers, directors, employees or representatives of its subsidiaries, will not, directly or indirectly:

initiate, solicit or encourage, any inquiries or the making of any proposal or offer that constitutes a third party competing proposal (of the type described below in this joint proxy statement/prospectus); and

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to a competing proposal, provided, however, nothing will prevent either Commonwealth or IMCO or their respective boards of directors from:

complying with its disclosure obligations pursuant to Sections 14(a), 14(d) or 14(e) of the Securities Exchange Act of 1934; and

at any time prior to, but not after, the time the merger agreement is adopted at the Commonwealth special meeting or the share issuance is approved at the IMCO special meeting, as applicable:

providing information in response to an unsolicited bona fide written competing proposal under the terms of a confidentiality agreement that contains substantially the same terms as the confidentiality agreement applicable to IMCO or Commonwealth, as the case may be;

engaging in any negotiations or discussions with any person who has made an unsolicited bona fide written competing proposal; or

recommending such a competing proposal to the stockholders of Commonwealth or IMCO, as the case may be.

Commonwealth and IMCO may only take these actions if and only to the extent that, in each case described above, the applicable board of directors determines in good faith after consultation with outside legal counsel that such action, in light of the competing proposal and the terms of the merger agreement, is necessary to comply with the board's respective fiduciary duties, and in case of engaging in any negotiations or discussions or making such a recommendation of a competing proposal, Commonwealth or IMCO, as the case may be, is in compliance with the merger agreement and the respective board of directors determines in good faith that such competing proposal, if accepted is reasonably likely to be consummated, and if consummated, would constitute a superior proposal (as described elsewhere in this joint proxy statement/prospectus).

Commonwealth and IMCO have agreed to promptly notify the other if any such inquiries, proposals or offers are received by, any such information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, any of its representatives, the name of such person and the material terms and conditions of any proposals or offers, and thereafter shall keep IMCO or Commonwealth informed, on a current basis, on the status and terms of any such proposals or offers and the status of any such discussions or negotiations.

Each of Commonwealth and IMCO has agreed that, during the five business day period prior to recommending a competing proposal to its stockholders, it and its outside legal counsel and financial advisors will negotiate in good faith with the other party, regarding any proposed revisions to the terms of the transactions contemplated by the merger agreement. The competing proposal may only be recommended to the

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appropriate stockholders if the IMCO or Commonwealth board of directors, as the case may be, determines in good faith that such competing proposal continues to be a superior proposal in light of any revisions to the merger agreement to which the parties have agreed prior to the expiration of such five business day period. A new notice will be delivered with respect to each competing proposal that has been materially revised or modified prior to taking any action to recommend such competing proposal to the appropriate stockholders and a new five business day period will commence from the time of this notice. The IMCO or Commonwealth board of directors, as the case may be, however, may make a change in recommendation in respect of a competing proposal that is received

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10 days or less prior to the Commonwealth or the IMCO special meeting, provided that the party making that change in recommendation is in compliance with the terms of the merger agreement and provides notice to the other party before making such change.

As used in the merger agreement, **competing proposal** means any proposal or offer, other than a proposal or offer by IMCO or Commonwealth or any of their affiliates, with respect to a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Commonwealth or IMCO, as the case may be, or any of its material subsidiaries or any purchase or sale of 15% or more of the assets of Commonwealth or IMCO, as the case may be, and its respective subsidiaries, taken as a whole, or any purchase or sale of, or tender or exchange offer for, voting securities of Commonwealth or IMCO, as the case may be, that, if consummated, would result in any person (or the stockholders or other equity owners of such person) beneficially owning securities representing 15% or more of the total voting power of Commonwealth or IMCO, as the case may be (or the surviving parent entity in such transaction).

As used in the merger agreement, the term **superior proposal** means any unsolicited bona fide written competing proposal which the board of directors of Commonwealth or IMCO, as the case may be, concludes in good faith, after consultation with its financial advisors and outside legal advisors, taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal and such other matters as such board of directors deems relevant, is more favorable to the stockholders of Commonwealth or IMCO from a financial point of view, than the transactions contemplated by the merger agreement (including the terms, if any, proposed by IMCO or Commonwealth to amend or modify the terms of the transactions contemplated by the merger agreement) and is fully financed or reasonably capable of being fully financed and otherwise reasonably capable of being completed on the terms proposed. For purposes of this definition, the term **competing proposal** shall have the meaning described above in this joint proxy statement/prospectus, except that the reference to 15% or more shall be deemed to be a reference to a majority and the stockholders of Commonwealth or IMCO would own less than 50% of the equity interests having general voting power under ordinary circumstances to elect directors of IMCO following the consummation of the competing proposal.

### **Merger Agreement May Be Terminated in Certain Circumstances**

Before the effective time of the merger, the merger agreement may be terminated:

by mutual written consent of IMCO and Commonwealth duly authorized by their respective boards of directors;

by either IMCO or Commonwealth, if:

the merger has not occurred on or before December 15, 2004, unless the failure is the result of a breach of the merger agreement by the party seeking the termination;

any governmental entity has issued a final and nonappealable injunction, order, decree or ruling or has taken any other final and nonappealable action that makes the consummation of the merger illegal or otherwise prevents or prohibits the consummation of the merger;

adoption by the Commonwealth stockholders of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of Commonwealth common stock has not been obtained at the Commonwealth special meeting or any adjournment or postponement thereof; or

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approval by the IMCO stockholders of the issuance of shares of IMCO common stock pursuant to the merger agreement has not been obtained by the affirmative vote of a majority of the votes cast at the IMCO special meeting, or any adjournment or postponement thereof, with the total votes cast on that proposal exceeding 50% of the shares of IMCO common stock outstanding;

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by IMCO, if:

Commonwealth's board of directors or any committee thereof, at any time prior to the adoption of the merger agreement by the Commonwealth stockholders, withdraws, modifies or changes, in any way adverse to IMCO, its recommendation of the merger agreement;

either (1) Commonwealth breaches any representation, warranty, covenant or agreement under the merger agreement, or (2) any of Commonwealth's representations or warranties in the merger agreement shall become untrue, in either case such that the condition to closing would not be satisfied, if the inaccuracy or breach cannot be or has not been cured within 30 days following receipt of notice of the inaccuracy or failure; or

the Commonwealth special meeting is not held by December 10, 2004, unless the failure is the result of IMCO's failure to fulfill any obligations under the merger agreement;

by Commonwealth, if:

IMCO's board of directors or any committee thereof, at any time prior to the approval of the share issuance by the IMCO stockholders, withdraws, modifies or changes, in any way adverse to Commonwealth, its recommendation of the merger agreement or the issuance of IMCO shares;

either (1) IMCO breaches any representation, warranty, covenant or agreement under the merger agreement, or (2) any of IMCO's representations or warranties in the merger agreement shall become untrue, in either case such that the condition to closing would not be satisfied, if the inaccuracy or breach cannot be or has not been cured within 30 days following receipt of notice of the inaccuracy or failure; or

the Commonwealth special meeting is not held by December 10, 2004, unless the failure is the result of IMCO's failure to fulfill any obligations under the merger agreement.

**Fees and Expenses Following a Termination of the Merger Agreement**

Commonwealth must pay a termination fee of \$3.5 million to IMCO, together with all of IMCO's reasonably documented expenses related to the merger and the merger agreement through the date of termination, up to a maximum of \$2.0 million, if the merger agreement is terminated:

by IMCO, because Commonwealth's board of directors withdraws, modifies or changes, in any manner adverse to IMCO, its recommendation of the merger agreement, and:

prior to the time of such withdrawal, modification or change of recommendation, a third party has made a bona fide competing proposal with respect to Commonwealth that has been publicly announced and has not been withdrawn prior to such withdrawal, modification or change of recommendation; and

within 12 months of such termination, Commonwealth enters into any agreement providing for or consummates a third party acquisition;

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by IMCO, because Commonwealth has materially breached its obligations under the merger agreement by failing to call the Commonwealth special meeting in accordance with the merger agreement or by failing to prepare and mail the proxy statement to its stockholders in accordance with the merger agreement, and:

prior to such termination, a third party has made a bona fide competing proposal with respect to Commonwealth that has been publicly announced; and

within 12 months of such termination, Commonwealth enters into any agreement providing for or consummates a third party acquisition;

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by IMCO or Commonwealth, because the approval of the Commonwealth stockholders has not been obtained at its special meeting, and:

a third party has made a bona fide competing proposal with respect to Commonwealth that has been publicly announced and has not been withdrawn prior to the Commonwealth special meeting; and

within 12 months of such termination, Commonwealth enters into any agreement providing for or consummates a third party acquisition;

by IMCO, because the Commonwealth special meeting was not held by December 10, 2004, unless the failure is the result of IMCO's failure to fulfill any obligations under the merger agreement, and:

a third party has made a bona fide competing proposal with respect to Commonwealth that has been publicly announced and has not been withdrawn prior to such termination; and

within 12 months of such termination, Commonwealth enters into any agreement providing for or consummates a third party acquisition; or

by Commonwealth, because the effective time has not occurred on or before December 15, 2004, and:

prior to the time of such termination, a third party has made a bona fide competing proposal that has been publicly announced or otherwise communicated to the Commonwealth board of directors and has not been withdrawn prior to such termination; and

within 12 months of such termination, Commonwealth enters into any agreement providing for or consummates a third party acquisition with the person who made such competing proposal.

IMCO must pay a termination fee of \$3.5 million to Commonwealth, together with all of Commonwealth's reasonably documented expenses related to the merger and the merger agreement through the date of termination, up to a maximum of \$2.0 million, if the merger agreement is terminated:

by Commonwealth, because IMCO's board of directors withdraws, modifies or changes, in any manner adverse to Commonwealth, its recommendation of the merger agreement, and:

prior to the time of such withdrawal, modification or change of recommendation, a third party has made a bona fide competing proposal with respect to IMCO that has been publicly announced and has not been withdrawn prior to such withdrawal, modification or change of recommendation; and

within 12 months of such termination, IMCO enters into any agreement providing for or consummates a third party acquisition;

by Commonwealth, because IMCO has materially breached its obligations under the merger agreement by failing to call the IMCO special meeting in accordance with the merger agreement or by failing to prepare and mail the proxy statement to its stockholders in accordance with the merger agreement, and:

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prior to such termination, a third party has made a bona fide competing proposal with respect to IMCO that has been publicly announced; and

within 12 months of such termination, IMCO enters into any agreement providing for or consummates a third party acquisition;

by IMCO or Commonwealth, because the approval of the IMCO stockholders has not been obtained at its special meeting, and:

a third party has made a bona fide competing proposal with respect to IMCO that has been publicly announced and has not been withdrawn prior to the IMCO special meeting; and

within 12 months of such termination, IMCO enters into any agreement providing for or consummates a third party acquisition;



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by Commonwealth, because the IMCO special meeting was not held by December 10, 2004, unless the failure is the result of Commonwealth's failure to fulfill any obligations under the merger agreement, and:

a third party has made a bona fide competing proposal with respect to IMCO that has been publicly announced and has not been withdrawn prior to such termination; and

within 12 months of such termination, IMCO enters into any agreement providing for or consummates a third party acquisition;  
or

by IMCO, because the effective time has not occurred on or before December 15, 2004, and:

prior to the time of such termination, a third party has made a bona fide competing proposal with respect to IMCO that has been publicly announced or otherwise communicated to the IMCO board of directors and has not been withdrawn prior to such termination; and

within 12 months of such termination, IMCO enters into any agreement providing for or consummates a third party acquisition with the person who made such competing proposal.

As used in the merger agreement, "third party acquisition" means any of the following transactions:

A merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Commonwealth or IMCO, as the case may be, pursuant to which the stockholders of such party immediately preceding such transaction hold less than seventy percent (70%) of the aggregate equity interests in the surviving or resulting entity of such transaction or of any direct or indirect parent thereof, excluding any interest previously held by any stockholder in the other party to such transaction;

a sale or other disposition by Commonwealth or IMCO, as the case may be, of assets representing in excess of thirty percent (30%) of the aggregate fair market value of the business of such party immediately prior to such sale or other disposition; or

an acquisition by any person or group, including by way of a tender offer or an exchange offer or an issuance of capital stock by Commonwealth or IMCO, as the case may be, directly or indirectly, of beneficial ownership of thirty percent (30%) or more of the voting power of the then outstanding shares of capital stock of Commonwealth or IMCO unless substantially all of the proceeds from such acquisition are retained by Commonwealth or IMCO, as the case may be.

**Amendment**

IMCO, Merger Sub and Commonwealth may amend the merger agreement at any time before the effective time of the merger. However, after the approval of the merger agreement by the Commonwealth stockholders, no amendment may be made that would reduce the amount or change the type of consideration into which each share shall be converted upon consummation of the merger, or that would otherwise require stockholder approval under applicable law, without in each case obtaining stockholder approval.

**Extension; Waiver**

IMCO, Merger Sub and Commonwealth may at any time before the effective time of the merger

extend the time for the performance of any of the obligations or the other acts of the other parties;

waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or

waive compliance with any of the agreements or conditions contained in the merger agreement.

**Table of Contents****MANAGEMENT OF IMCO FOLLOWING THE MERGER**

Set forth below is information regarding the six individuals who will serve as executive officers of IMCO following the merger:

<b>Name</b>	<b>Age</b>	<b>Present Positions and Recent Business Experience</b>
Steven J. Demetriou	46	Steven J. Demetriou will serve as Chairman of the Board and Chief Executive Officer of IMCO following the merger. Mr. Demetriou is currently President and Chief Executive Officer of Commonwealth. He has been on Commonwealth's board since 2002. Before joining Commonwealth in June 2004, Mr. Demetriou was President and Chief Executive Officer of Noveon, Inc., which is a leading global producer of advanced specialty chemicals for consumer and industrial applications. Prior to that, from 1999 to 2001, he was Executive Vice President of IMC Global Inc., a leading producer and distributor of crop nutrients and animal feed ingredients to the domestic and international agricultural communities, and President of IMC Crop Nutrients. 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 holds a bachelor of science in chemical engineering from Tufts University.
Michael D. Friday	53	Michael D. Friday will serve as Executive Vice President and Chief Financial Officer of IMCO following the merger. Mr. Friday is currently Executive Vice President and Chief Financial Officer of Commonwealth. Prior to joining Commonwealth in June 2004, Mr. Friday served as Executive Vice President and Chief Financial Officer of Noveon, Inc. from 2001 to 2004. From 1997 to 2001, Mr. Friday served as Vice President Finance, Business Development and Information Technology at BFGoodrich Performance Materials. From 1994 to 1997, Mr. Friday was Vice President of Finance for The Little Tikes Company, a unit of Rubbermaid, Inc. Mr. Friday began his career with the General Electric Company in 1974, where he served in a variety of increasingly responsible financial management capacities. Mr. Friday holds a bachelor of science degree in business administration from the Rochester Institute of Technology.
John J. Wasz	44	John J. Wasz will serve as Executive Vice President and as President of IMCO's Rolled Products business following the merger. Since 2000, he has served as Executive Vice President and President of Alflex, and prior to that Mr. Wasz held the position of Vice President of Alflex Operations. Additionally, Mr. Wasz served in several other capacities within the Commonwealth aluminum division, including Vice President of Materials; Vice President of Marketing and Sales; Distribution Marketing Manager; and Regional Manager. Mr. Wasz holds a bachelor of science in economics from Depauw University and attended the Advanced Management Program at Harvard University.
Joseph M. Byers	59	Joseph M. Byers will serve as IMCO's Senior Vice President and as President of IMCO's Aluminum Recycling business following the merger. Mr. Byers is currently Senior Vice President of aluminum operations for IMCO. Mr. Byers previously served as President of Wabash Alloys, Senior Vice President of EASCO Aluminum and was employed for 17 years by Alcoa Inc. where he held key management positions in various domestic and international locations. Mr. Byers also served as a pilot in the United States Air Force where he attained the rank of Captain and earned the Distinguished Flying Cross and Air Medal with thirteen oak-leaf clusters.

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**Present Positions and Recent**

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Business Experience</u></b>
Sean M. Stack	37	Sean M. Stack will serve as Senior Vice President, Treasurer and Corporate Development of IMCO following the merger. Mr. Stack is currently Vice President and Treasurer of Commonwealth. Prior to joining Commonwealth in June 2004, he had served as Vice President and Treasurer of Noveon Inc., beginning in March 2001. Prior to joining Noveon, Mr. Stack served as Vice President and Treasurer for Specialty Foods Corporation from May 1996 to December 2000. Specialty Foods filed for bankruptcy in September 2000 and emerged from bankruptcy in December 2000. Mr. Stack joined Specialty Foods as Assistant Treasurer in 1996. Prior to that he was a Vice President at ABN AMRO Bank in commercial and investment banking. Mr. Stack holds a bachelor's degree in business administration from the University of Notre Dame and a master's degree in management from Northwestern University's J.L. Kellogg Graduate School of Management.
Christopher R. Clegg	47	Christopher R. Clegg will serve as Senior Vice President, General Counsel and Secretary of IMCO following the merger. Mr. Clegg is currently Vice President, General Counsel and Secretary of Commonwealth. Before joining Commonwealth in June 2004, he had served as Senior Vice President, General Counsel and Secretary of Noveon, Inc. since March 2001. Mr. Clegg had served as Vice President-Legal for the Performance Materials Segment of BF Goodrich Company since 1999. Before assuming that position, Mr. Clegg served as Senior Corporate Counsel for Goodrich Aerospace since May 1991. Prior to joining Goodrich, Mr. Clegg was a corporate lawyer in private practice with the law firms of Squire, Sanders & Dempsey in Cleveland, Ohio from March 1988 to May 1991 and Perkins Coie in Seattle, Washington. Mr. Clegg holds a bachelor's degree in political science from the University of California at Berkeley, a master's degree in International Studies from the Johns Hopkins University School of Advanced International Studies and a law degree from the Georgetown University Law Center.

**Employment Arrangements**

Set forth below is a description of the employment arrangements with the persons who will be executive officers of the combined company at the effective time of the merger.

*Steven J. Demetriou*

Effective upon the closing of the merger, Steven J. Demetriou will become the Chairman of the Board and Chief Executive Officer of the combined company. Initially, Mr. Demetriou will receive an annual salary of \$800,000 which will be subject to annual review by the combined company's board of directors. Mr. Demetriou's bonus will be targeted at 100% of his base salary, but may not exceed 200% of base salary.

The options and restricted stock awards awarded by Commonwealth to Mr. Demetriou will be assumed by IMCO and will continue to vest under their regular vesting schedule. There will be no accelerated vesting due to the merger. [Upon completion of the merger, performance goals for performance-based restricted stock may be re-set or adjusted by the combined company's Boards of Directors]. Any future equity awards will be subject to the approval of the combined company's Boards of Directors.

The terms of Mr. Demetriou's employment, in the event of termination and his change in control severance agreement (which will not be affected by this merger) are described in *Certain Persons May Have Interests in the Merger that are Different from Stockholders' Interests Generally*

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beginning on page 66. (See Commonwealth Severance Arrangements. )

Mr. Demetriou will be allowed to participate in all benefit programs of the combined company and in the perquisite program to be approved by the combined company's compensation committee. Mr. Demetriou will

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be reimbursed for all reasonable travel to and from Cleveland and reasonable living away from Cleveland until relocation occurs. Mr. Demetriou will receive a relocation package, as developed and approved by the combined company's board of directors, including a home resale benefit, if required.

*Michael D. Friday*

Michael D. Friday will become Executive Vice President and Chief Financial Officer of the combined company, effective immediately following the effective time of the merger. Initially, Mr. Friday will receive an annual salary of \$375,000 which will be subject to annual review by the combined company's board of directors. Mr. Friday's target bonus will be 75% of his base salary, with a maximum bonus of 150% of his base salary.

The options and restricted stock awards awarded by Commonwealth to Mr. Friday will be assumed by IMCO and will continue to vest under their regular vesting schedule. There will be no accelerated vesting due to the merger. Upon completion of the merger, performance goals for performance-based restricted stock may be re-set or adjusted by the combined company's Board of Directors. Any future equity awards will be subject to the approval of the combined company's Board of Directors.

The terms of Mr. Friday's employment, in the event of termination and his change in control severance agreement (which will not be affected by this merger) are described in *Certain Persons May Have Interests in the Merger that are Different from Stockholders' Interests Generally* beginning on page 66. (See *Commonwealth Severance Arrangements*. )

Mr. Friday will be allowed to participate in all benefit programs of the combined company and in the perquisite program to be approved by the combined company's compensation committee. Mr. Friday will be reimbursed for all reasonable travel to and from Cleveland and reasonable living away from Cleveland until relocation occurs. Mr. Friday will receive a relocation package, as developed and approved by the combined company's board of directors, including a home resale benefit, if required.

*Christopher R. Clegg*

Christopher R. Clegg will become Senior Vice President, General Counsel and Secretary of the combined company, effective immediately following the effective time of the merger. Initially, Mr. Clegg will receive an annual salary of \$275,000 which will be subject to annual review by the combined company's board of directors. Mr. Clegg's target bonus will be 60% of his base salary, with a maximum bonus of 120% of his base salary.

The options and restricted stock awards awarded by Commonwealth to Mr. Clegg will be assumed by the combined company and will continue to vest on their regular vesting schedule. There will be no accelerated vesting due to the merger. Upon the closing of the merger, performance goals for performance-based restricted stock may be re-set or adjusted by the combined company's Board of Directors. Any future equity awards will be subject to the approval of the combined company's Board of Directors.

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The terms of Mr. Clegg's employment, in the event of termination and his change in control severance agreement (which will not be affected by this merger) are described in *Certain Persons May Have Interests in the Merger that are Different from Stockholders' Interests Generally* beginning on page 66. (See *Commonwealth Severance Arrangements.* )

Mr. Clegg will be allowed to participate in all benefit programs of the combined company and in the perquisite program to be approved by the combined company's compensation committee. Mr. Clegg will be reimbursed for all reasonable travel to and from Cleveland and reasonable living away from Cleveland until relocation occurs. Mr. Clegg will receive a relocation package, as developed and approved by the combined company's board of directors, including a home resale benefit, if required.

*Sean M. Stack*

Sean M. Stack will become Senior Vice President, Treasurer and Corporate Development of the combined company, effective immediately following the effective time of the merger. Initially, Mr. Stack will receive an

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annual salary of \$225,000 which will be subject to annual review by the combined company's board of directors. Mr. Stack's target bonus will be 50% of his base salary, with a maximum bonus of 100% of his base salary.

The options and restricted stock awards awarded by Commonwealth to Mr. Stack will be assumed by the combined company and will continue to vest on their regular vesting schedule. There will be no accelerated vesting due to the merger. Upon the closing of the merger, performance goals for performance-based restricted stock may be re-set or adjusted by the combined company's Board of Directors. Any future equity awards will be subject to the approval of the combined company's Board of Directors.

The terms of Mr. Stack's employment, in the event of termination and his change in control severance agreement (which will not be affected by this merger) are described in "Certain Persons May Have Interests in the Merger that are Different from Stockholders - Generally" beginning on page 66. (See "Commonwealth Severance Arrangements.")

Mr. Stack will be allowed to participate in all benefit programs of the combined company and in the perquisite program to be approved by the combined company's compensation committee. Mr. Stack will be reimbursed for all reasonable travel to and from Cleveland and reasonable living away from Cleveland until relocation occurs. Mr. Stack will receive a relocation package, as developed and approved by the combined company's board of directors, including a home resale benefit, if required.

*John J. Wasz*

John J. Wasz will become Executive Vice President and President of the Rolled Products business of the combined company, effective immediately following the effective time of the merger. Initially, Mr. Wasz will receive an annual salary of \$360,000 which will be subject to annual review by the combined company's board of directors. Mr. Wasz's target bonus will be 100% of his base salary in 2004, 75% of his base salary starting in 2005, with a maximum bonus in each case of 150% of his base salary.

The options and restricted stock awards awarded by Commonwealth to Mr. Wasz will be assumed by the combined company and will continue to vest on their regular vesting schedule, except that there will be no accelerated vesting due to the merger for those options granted to him in September 2004. Upon closing of the merger, performance goals for performance-based restricted stock may be re-set or adjusted by the combined company's Board of Directors. Any future equity awards will be subject to the approval of the combined company's Board of Directors.

The terms of Mr. Wasz's employment, in the event of termination and his change in control severance agreement (which will not be affected by this merger) are described in "Certain Persons May Have Interests in the Merger that are Different from Stockholders - Interests - Generally" "Commonwealth Severance Arrangements" beginning on page 67.

Mr. Wasz will be allowed to participate in all benefit programs of the combined company and in the perquisite program to be approved by the combined company's compensation committee.

*Joseph M. Byers*



Joseph M. Byers will become Senior Vice President and President of the Aluminum Recycling business of the combined company, effective immediately following the effective time of the merger. Mr. Byers' compensation arrangements will be determined by the combined company's board of directors. See "Certain Persons May Have Interests in the Merger that are Different from Stockholders' Interests Generally" IMCO Severance Arrangements beginning on page 69.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial statements at June 30, 2004 and for the year ended December 31, 2003 and the six months ended June 30, 2004 are presented using the purchase method of accounting to give effect to the proposed merger and to reflect the combination of the consolidated historical financial data of IMCO and Commonwealth. Upon the effectiveness of the proposed merger, each outstanding share of Commonwealth stock (except those shares owned directly or indirectly by Commonwealth or IMCO) will be converted into 0.815 of a share of IMCO common stock.

The following unaudited pro forma condensed combined financial statements have been derived from the historical financial statements of IMCO (as amended) and Commonwealth. The unaudited pro forma condensed combined financial statements should be read in conjunction with:

IMCO's historical audited consolidated financial statements for the year ended December 31, 2003 (as amended) and unaudited consolidated financial statements for the six months ended June 30, 2004 (as amended), both incorporated by reference in this joint proxy statement/prospectus, and

Commonwealth's historical audited consolidated financial statements for the year ended December 31, 2003, and unaudited condensed consolidated financial statements for the six months ended June 30, 2004, both incorporated by reference in this joint proxy statement/prospectus.

The unaudited pro forma condensed combined balance sheet is derived from the historical unaudited consolidated balance sheets of IMCO and Commonwealth as of June 30, 2004 and is presented as if the merger had occurred on June 30, 2004. The unaudited pro forma condensed combined statements of operations were derived from the historical consolidated statements of operations for both IMCO and Commonwealth assuming the proposed merger had occurred on January 1, 2003.

The unaudited pro forma condensed combined financial statements are prepared for illustrative purposes only, and are not necessarily indicative of the operating results or financial position that would have occurred if the merger transaction had been consummated at the beginning of the periods or the dates indicated, nor are they necessarily indicative of any future operating results or financial position. The unaudited pro forma condensed combined financial statements do not include any adjustments related to any restructuring charges, profit improvements, potential cost savings or one-time charges which may result from the proposed merger or the result of final valuations of tangible and intangible assets and liabilities.

**Sale of Alflex Corporation**

Commonwealth entered into a stock purchase agreement dated June 4, 2004 for the sale of Alflex Corporation. The sale of Alflex closed on July 30, 2004, and resulted in approximately \$64.0 million of proceeds. The accompanying unaudited proforma condensed combined statements of operations reflect the effect of the sale of Alflex as if it had occurred on January 1, 2003, while the unaudited pro forma condensed combined balance sheet reflects the effect of the sale as if it had occurred on June 30, 2004.

**Refinancing of Debt**

The merger agreement requires the refinancing of all of Commonwealth's 10 3/4% senior subordinated notes due 2006 together with accrued and unpaid interest thereon, the purchase of all of Commonwealth's receivables previously sold under its receivables purchase agreement and the refinancing of any amounts outstanding under Commonwealth's senior revolving credit facility and IMCO's senior revolving credit facility immediately following closing of the merger. The accompanying unaudited pro forma condensed combined financial statements reflect the financing transactions. IMCO and Commonwealth have entered into a commitment letter, dated September 28, 2004, with certain financial institutions to amend and restate its senior revolving credit facility, which will provide for borrowings of up to \$325 million, subject to borrowing base limitations. Neither IMCO nor Commonwealth presently has any other commitments from any lender or other financing source necessary to provide the required sources of funds for any other financings. Therefore, the accompanying pro forma financial statements incorporate funding source assumptions and interest rate assumptions that may change when the actual financing documents have been finalized and entered into.

**Table of Contents****IMCO RECYCLING INC. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET****JUNE 30, 2004****(in thousands)**

	<b>PRO FORMA ADJUSTMENTS</b>						
	<b>IMCO HISTORICAL</b>	<b>COMMONWEALTH HISTORICAL</b>	<b>ALFLEX DISPOSITION(A)</b>	<b>COMMONWEALTH ADJUSTED</b>	<b>MERGER TRANSACTION</b>	<b>FINANCING ADJUSTMENTS(M)</b>	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 13,934	\$ 2,246	\$ 65,004	\$ 67,250		\$ (64,019)	\$ 17,165
Net residual interest in receivables sold		36,306	(309)	35,997		(35,997)	
Accounts receivable, net	131,972	78		78	(2,597)B	100,000	265,450
						35,997	
Inventories	82,514	139,158		139,158	21,743 D		243,415
Deferred income taxes	1,916						1,916
Other current assets	12,434	16,956	205	17,161	(904)L		28,691
Current assets of discontinued operations		41,707	(41,707)				
<b>Total Current Assets</b>	<b>242,770</b>	<b>236,451</b>	<b>23,193</b>	<b>259,644</b>	<b>18,242</b>	<b>35,981</b>	<b>556,637</b>
Property and equipment, net	212,829	120,611		120,611			333,440
Goodwill	63,807				129,773 C		167,461
					(11,027)G		
					5,203 F		
					(21,743)D		
					1,448 L		
Investments in joint ventures	831						831
Restricted cash	18,917						18,917
Other assets, net	14,225	8,696		8,696	(544)L	7,500	29,877
Non-current assets of discontinued operations		33,776	(33,776)				
	<b>\$ 553,379</b>	<b>\$ 399,534</b>	<b>\$ (10,583)</b>	<b>\$ 388,951</b>	<b>\$ 121,352</b>	<b>\$ 43,481</b>	<b>\$ 1,107,163</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 88,870	\$ 57,429	\$ 57,429	(2,597)B	\$	\$	\$ 143,702
Accrued liabilities	37,384	35,826	2,266	38,092	3,772 E	(3,359)	85,125
						9,236 K	
Current maturities of long-term debt	43,316	8,588		8,588		(51,874)	30
Current liabilities of discontinued operations		12,849	(12,849)				
<b>Total Current Liabilities</b>	<b>169,570</b>	<b>114,692</b>	<b>(10,583)</b>	<b>104,109</b>	<b>10,411</b>	<b>(55,233)</b>	<b>228,857</b>

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Long-term debt	223,230	125,000		125,000		55,233	446,944
						43,481	
Deferred income taxes	9,241						9,241
Accrued pension benefits	13,318	30,108	1,230	31,338	5,203 F		49,859
Accrued post retirement benefits		61,203		61,203	(11,027)G		50,176
Other long-term liabilities	12,387	3,297		3,297			15,684
Non-current liabilities of discontinued operations		1,230	(1,230)				
<b>STOCKHOLDERS EQUITY</b>							
Common stock	1,716	162		162	1,180 H		3,058
Additional paid-in capital	103,607	407,965		407,965	(407,965)I		283,034
					8,632 I		
					170,795 I		
Deferred stock compensation	(3,154)	(1,972)		(1,972)	1,972 I		(3,154)
Retained earnings (Accumulated deficit)	48,405	(328,704)		(328,704)	328,704 J		48,405
Accumulated other comprehensive loss	(6,892)	(13,447)		(13,447)	13,447 J		(6,892)
Treasury stock	(18,049)						(18,049)
Stockholders Equity	125,633	64,004		64,004	116,765		306,402
	\$ 553,379	\$ 399,534	\$ (10,583)	\$ 388,951	\$ 121,352	\$ 43,481	\$ 1,107,163

See Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

**Table of Contents****Notes to the Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2004****(All dollar amounts are in thousands.)**

The unaudited pro forma condensed combined balance sheet reflects the following pro forma adjustments and IMCO's preliminary purchase price allocation as further described below:

A) To reflect the disposition of Alflex. On July 30, 2004, Commonwealth completed the disposition of all the issued and outstanding common stock of its indirect subsidiary Alflex, which comprised Commonwealth's Electrical Products Segment, to Southwire Company pursuant to a stock purchase agreement dated June 4, 2004, as amended. The actual cash proceeds received by Commonwealth on July 30, 2004 was \$64.0 million. Certain assets and liabilities of Alflex were retained by Commonwealth subsequent to the sale. Therefore, these assets and liabilities have been reclassified to the appropriate financial statement line items.

B) To reflect the elimination of outstanding accounts receivables and payables between IMCO and Commonwealth.

C) To record the excess of purchase price over net assets acquired as follows:

Estimated fair value of IMCO common shares based on the average closing price of IMCO common stock two days prior and two days following announcement of the merger on June 17, 2004) issued in exchange for all outstanding Commonwealth common stock, resulting in the issuance of 13,416,719 IMCO shares	\$ 172,137
Estimated fair value of IMCO stock options to be granted in exchange for Commonwealth stock options	8,632
Estimated acquisition costs (E)	3,772
Estimated severance and other obligations arising from merger (K)	9,236
	<hr/>
Total acquisition consideration	193,777
Less: Estimated fair value of net assets acquired comprised of the following:	
Current assets	259,644
Property and equipment	120,611
Other assets	8,696
Current liabilities	(104,109)
Long-term debt	(125,000)
Accrued pension and post-retirement benefits	(92,541)
Other long-term liabilities	(3,297)
	<hr/>
Estimated fair value of net assets acquired *	64,004
	<hr/>
Goodwill	\$ 129,773
	<hr/>

\* Based upon currently available information, IMCO has assumed for purposes of this unaudited pro forma condensed combined balance sheet that the book value of Commonwealth's tangible assets and liabilities approximate their fair value. IMCO is in the process of performing further analysis of the fair values of certain assets of Commonwealth to be acquired and liabilities to be assumed. Based upon this further analysis, which has not yet been completed, the allocation of the purchase price assigned to the Commonwealth net assets acquired may be further refined, and may result in a portion of the purchase price being further allocated to inventories, property and

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equipment and other identifiable intangible assets, with a corresponding adjustment to goodwill. However, IMCO does not expect substantial adjustments to the carrying value of inventories, property and equipment or current liabilities, nor does it expect significant amounts to be allocated to other identifiable intangible assets.

**Table of Contents****Notes to the Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2004 (Continued)****(All amounts are in thousands.)**

D) To reflect the adjustment to conform the companies' accounting methods for inventory. Commonwealth has applied the last-in-first-out (LIFO) method to value inventories while IMCO has applied the average cost and specific identification methods. The resulting adjustment to increase Commonwealth's inventories and record the related impact on goodwill, is as follows:

Inventories	\$ 21,743
Goodwill	\$ 21,743

E) To reflect transaction costs estimated to be \$3,772.

F) To reflect a purchase price adjustment to increase the liability for pension benefits by \$5,203 to record the estimated fair value of Commonwealth's pension obligation to be assumed by IMCO. The resulting adjustment to increase the liability for pension costs and record the related impact on goodwill is as follows:

Goodwill	\$ 5,203
Accrued pension benefit	\$ 5,203

G) To reflect a purchase price adjustment to reduce the liability for accrued post retirement benefits by \$11,027 to record the estimated fair value of the post retirement benefit obligations to be assumed by IMCO. The resulting adjustment to decrease the liability for accrued post retirement benefit obligations and to record the related impact on goodwill is as follows:

Accrued post retirement benefits	\$ 11,027
Goodwill	\$ 11,027

H) To record adjustments to common stock as follows:

To eliminate Commonwealth's common stock balance	\$ (162)
To reflect the incremental shares of IMCO common stock to be issued for the acquisition 13,416,719 shares at \$.10 par value	1,342
	<hr/>
Total pro forma adjustments to common stock	\$ 1,180

I) To record adjustments to additional paid-in-capital and deferred stock compensation as follows:



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To eliminate Commonwealth's additional paid-in-capital	\$ (407,965)
To record the estimated fair value (in excess of par) for the 13,416,719 shares of IMCO common stock to be issued for the acquisition	170,795
To eliminate Commonwealth's deferred compensation equity accounts	1,972
To record the estimated fair value of IMCO stock options to be issued in exchange for Commonwealth stock options	8,632
	<hr/>
Total pro forma adjustment to additional paid-in-capital and deferred stock compensation	\$ (226,566)

J) To eliminate Commonwealth's accumulated deficit and accumulated other comprehensive loss balances.

K) To reflect the estimated liability for severance and other obligations of \$9,236 related to Commonwealth employees to be terminated, change in control payments to Commonwealth executives to be paid at the closing of the merger and other obligations of IMCO arising from the merger transactions that are related to officers and directors of Commonwealth.

**Table of Contents****Notes to the Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2004 (Continued)**

(All amounts are in thousands.)

L) To reflect a purchase price adjustment to write off the Commonwealth deferred financing costs, since all of the Commonwealth financing arrangements are expected to be refinanced and terminated as required by the merger agreement. The resulting adjustment to decrease other assets and record the related impact on goodwill is as follows:

Goodwill	\$ 1,448
Other current assets	\$ 904
Other assets, net	\$ 544

M) The following adjustments have been reflected in the accompanying pro forma unaudited condensed financial statements to reflect the financing transactions:

- 1) An adjustment to reflect the use of \$64,019 in proceeds from the sale of Alflex that will reduce outstanding borrowings of the combined entity.
- 2) An adjustment to reflect the repurchase of \$100,000 of accounts receivable outstanding under Commonwealth's accounts receivable facility that are required to be repurchased to terminate the facility.
- 3) An adjustment to reclassify Commonwealth's net residual interest in receivables sold of \$35,997, to accounts receivable.
- 4) An adjustment to reflect a reclassification of the accrued interest on Commonwealth's senior subordinated notes that is required to be redeemed in the amount of \$3,359, to long-term borrowings.
- 5) An adjustment to reclassify \$8,588 and \$43,286 outstanding under Commonwealth's and IMCO's revolving credit facilities, respectively, to long-term debt, since IMCO intends to obtain long-term financing to refinance these obligations.
- 6) An adjustment to reflect the estimated costs to be incurred by IMCO related to the financing transactions, which are currently estimated to be \$7,500. This adjustment has been reflected as an increase to other long-term assets and an increase in long-term debt in the accompanying unaudited pro forma condensed balance sheet.

As a result of these adjustments, current maturities of long-term debt are estimated to decrease by \$51,874 and long-term debt is estimated to increase by \$98,714. A comparison of IMCO and Commonwealth debt outstanding as of June 30, 2004 on a historical basis and on a pro forma basis, reflecting the planned refinancing transactions described above, is as follows:

**IMCO and Commonwealth Historical Debt Outstanding as of June 30, 2004:**

IMCO	
10 3/8% senior secured notes due 2010 (net of \$1,231 discount)	\$ 208,802

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Morgantown, Kentucky solid waste disposal facilities revenue bonds (6.0% to 7.65%)	14,406
Senior revolving credit facility	43,286
Other	52
	<hr/>
	266,546
Commonwealth	
10 3/4% senior subordinated notes due 2006	125,000
Revolving credit facility	8,588
	<hr/>
	133,588
	<hr/>
Total	\$ 400,134

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**Notes to the Unaudited Pro Forma Condensed Combined Balance Sheet**

**(All dollar amounts are in thousands.) (Continued)**

***IMCO and Commonwealth Pro Forma Debt Balances June 30, 2004***

10 <sup>3</sup> /8% senior secured notes due 2010 (net of \$1,231 discount)	\$ 208,802
Proposed long-term unsecured debt (1)	125,000
Morgantown, Kentucky solid waste disposal facilities revenue bonds (6.0% to 7.65%) (2)	14,406
Other	52
Amended and restated senior credit facility (3)	98,714
	<hr/>
<b>Total</b>	<b>\$ 446,974</b>
	<hr/>

(1) For purposes of the accompanying unaudited pro forma financial statements, it has been assumed that \$125,000 in IMCO lo