800AMERICA COM INC
Form SB-2
January 16, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form SB-2

Registration Statement
Under
The Securities Act of 1933

800America.com, Inc.
(Name of small business issuer in its charter)

Nevada	7373	87-0567884
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification

1929 S. 21st Avenue, Nashville, TN, 37212
(800) 999-5042

Address and Telephone Number of Principal Executive Offices

David E. Rabi
1929 S. 21st Avenue
Nashville, TN 37212
(800) 999-5048

(Name, address and telephone number of Agent for Service)

Copies of communication to:

John L. Thomas, Esquire
18 Beth Drive
Moorestown, NJ 08057
(856) 234-0960

Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement become effective:

If any of the securities being registered on this Form are to be offered on a delay or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) 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. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. [ ]

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. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Shares, par value $.001	961,500	$3.73	$3,586,395	861.00

(1) Estimated solely or the purpose of calculating the registration fee pursuant to the Rule 457(c) and (g) of the Securities Act of 1933, as amended (the "Securities Act"); using the average of the high and low prices reported for the company's Common Stock as of January 11, 2002. See "Selling Security Holders."

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effectiveness 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, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

This prospectus is not an offer to sell these securities and is not an offer to buy these securities in any state where such an offer or sale is not permitted.

Subject to completion, January 16, 2002

800America.com, Inc.

961,500 Share of common stock

- The 961,500 shares of Common Stock offered by this Prospectus are being offered for resale by the shareholders listed in the section of this Prospectus called "Selling Security Holders". We will receive a portion of the proceeds from the sale of these shares by certain of the Selling Security Holders, which proceeds would be used for general corporate purposes.

- Our Common Stock is traded on the OTC Bulletin Board under the symbol "ACCO'.

- January 11, 2002, the closing bid price of our Common Stock on the OTC Bulletin Board was $3.73.

The securities offered in this Prospectus involve a high degree of risk. You should carefully consider the factors described under the heading "Risk Factors" beginning on page 3 of this Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is ____________, 2002.

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SUMMARY

Unless otherwise indicated or the context otherwise requires, references herein to "800America," "we," "our" and "us" refer to 800America.com, Inc., a Nevada corporation, and its direct and indirect subsidiaries.

800America.com, Inc.

Overview of Our Business

We are a growing company that owns and operates international e-commerce and technology businesses. We have developed a profitable business model where we bring buyers and sellers together in an efficient and easy to use format and generate fees based on transactions. We are an innovator in developing proprietary technologies and processes needed for easy navigation and convenience in business-to-business and business-to-consumer environments. Our approach to customer acquisition and retention has provided us a strong following of loyal Internet users. Our technologies have provided the foundation needed for us to scale and grow our e-commerce businesses profitably across geographic regions and multiple product lines.

The majority of our revenues are derived from commissions generated on transactions made through our two primary businesses, the 800America Network and Rothman Closeouts.

The 800America Network

Rothman Closeouts

The 800America Network is home to many Internet shoppers and merchants. Over the past several years, the 800America Network has aggregated a critical mass of buyers and sellers, with over 700,000 users throughout the world. We deploy our own filtering mechanism for bringing stores into our network based on our users' preferences. One feature of the 800America Network is an online business to consumer shopping portal. To date, we have developed relationships with over approximately 250 online retail vendors. The 800America Network conveniently categorizes stores by the type of products the store sells and provides a direct link to the vendor's website. 800America receives a pre-negotiated commission from the vendor if a sale is consummated. The 800America Network "buyer and seller introductions" have led to an average of over 350,000 transactions per month over the last year. The commission paid to

800America on these sales is between 5 and 20% of the total sale.

Rothman Closeouts, a member of the 800America Network, is one of the world's leading web-based trading communities for surplus and closeout merchandise. It is a leading business to business exchange for manufacturers, wholesalers and retailers to sell and buy surplus inventories around the world. Rothman Closeouts acts as a means to connect buyers and sellers and assist in trading negotiations, and holds absolutely no inventory. Through management's years of experience in the trading of closeout merchandise, Rothman Closeouts has developed a unique trading platform aimed at the needs of buyers and sellers of surplus and closeout merchandise. Rothman Closeouts has attracted a combined registered buyer and seller customer base of approximately 26,000 companies, ranging from small "mom and pop" type stores to large corporations. To further its position in this highly fragmented market, Rothman Closeouts has developed, and continues to pursue, exclusive relationships with large brick and mortar companies in need of alternative distribution channels for the sale of surplus and closeout merchandise. Rothman Closeouts receives a standard commission of 10% on all sales made through its trading platform.

In the period of just over two years that we have been operating the 800America Network, 800America has created a profitable enterprise using Internet transactions which serves as our primary source of revenue. Unlike most Internet businesses, we have generated profits from the beginning and have expanded with earnings from existing operations. In recent months, we have further strengthened and diversified our revenue potential through the acquisition of Fileshooter, a peer-to-peer file sharing software product for secure, private instant Internet messaging which we launched in the third quarter of 2001. During the latter part of 2001, we purchase the assets of cs-live, inc., a technology focused software development company which now operates as a division of the 800America Network. We also acquired iGain, Inc. a marketing service company, WizwardWorld, Inc., a online marketplace for collectibles, Universal Payment Systems, Inc., a technology based electronic payment system and in early 2002, Youtopia, Inc., a teen website.

Our strategy is to continue to acquire synergistic, cutting-edge technology and e-commerce companies at attractive valuations, and then layer in our operational expertise to maximize the technology and make them profitable. Through these strategic acquisitions and our innovative products and services, we feel we are well positioned to expand upon our scalable foundation and grow our e-commerce businesses.

Corporate Information

Our stock currently trades on the Over-the-Counter Bulletin Board under the symbol "ACCO."

Our principal executive offices are located at 1929 S. 21st Avenue, Nashville, Tennessee 37212, and we have offices in New York, San Francisco, Ottawa, Canada and Beijing China. Our telephone number at our executive office is (800) 999-5048, and our website address is www.800america.com.

The Offering

Securities Offered	
Selling Security Holder Shares	961,500 Shares
Common Stock Outstanding:	17,736,627 Shares as of January, 2002*

Offering Price	The Selling Security Holders can sell the shares at any price.
Use of Proceeds	We will receive a portion of the proceeds from certain Selling Security Holders. We will use the proceeds for general corporate purposes.
Market for our Common Stock	Our Common Stock trades on the Over-the-Counter Bulletin Board, also called OTCBB, under the trading symbol "ACCO".

*This amount does not include approximately 1,866,400 shares to be issued.

Summary of Financial Information

The summary historical financial data should be read in conjunction with the financial statements (and notes thereto) of our Company and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

	Year ended December 31	
	2000	1999
Net sales	$15,980,529	$ 3,283,575
Cost of revenues	8,913,351	2,135,668
General and administrative	3,466,798	784,718
Sales and marketing		
Research and development		
Depreciation		
Other (income) expense, net	486,480	88,019
	1,041,406	89,723
Net Gain	2,072,494	185,447
Weighted average Common Shares outstanding	12,721,359	6,243,132
Basic Gain per share	$ 0.16	$ 0.03
Current Assets	3,144,389	1,093,406
Total Assets	4,421,609	1,402,832
Current Liabilities	411,818	457,519
Total Liabilities	411,818	457,519
Shareholders' equity	4,009,791	945,313

RISK FACTORS

The Common Stock offered hereby is speculative and involve a high degree of risk. Prospective investors should carefully review and consider the following Risk Factors, as well as the other information set forth in this Prospectus hereto, before purchasing the Common Stock offered hereby.

Risks Related to Our Business

We have only a limited operating history for investors to use to assess our future prospects.

Our corporate predecessor was formed on December 5, 1996. We have had limited operations to date. As a result, we have a limited operating history upon which to evaluate the merits of investing in the proposed offering.

The planned expansion of our business will strain our management systems and other resources.

We have rapidly and significantly expanded our operations and will expand further to address growth of our product and service offerings and customer base. This growth will continue to place a significant strain on our management, operational and financial resources. We will need to improve our financial and management controls, reporting systems and procedures. We will also continue to expand, train and manage our work force for marketing, sales and technical support, product development and infrastructure management, and manage multiple relationships with customers and other third parties. We also plan to expand the geographic scope of our customer base and operations. We will need to continually expand and upgrade our technology infrastructure and systems and ensure continued high levels of service, speedy operation and reliability. To achieve our objectives, we may acquire technologies or products or enter into strategic alliances or acquisitions, although we have no plans or agreements to do so at the present time. In addition, our senior management team has had only limited experience working together to manage these challenges and our management may not be able to work together to meet these challenges.

Our strategy of expanding our business through acquisitions of other businesses and technologies presents special risks.

We intend to continue to expand through the acquisition of businesses, technologies, products and services from other businesses as well as through the development of the products and services of our existing businesses. Many of our acquisitions to date have been, and we anticipate that we will continue to seek to acquire, early-stage or distressed companies and technologies with limited operating histories and limited or no revenues. We may not identify and successfully compete for attractive acquisition candidates or complete acquisitions at reasonable purchase prices, in a timely manner or at all. If these acquisitions are completed, we may not be able to successfully develop these companies and their technologies. Acquisitions involve a number of special problems, including:

- difficulty integrating acquired technologies, operations and personnel with the existing business;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;
- exposure to unforeseen liabilities of acquired companies;
- potential issuances of securities in connection with the acquisition which lessen the rights of holders of our securities outstanding prior to such issuances;
- the need to incur additional debt;
- the requirement to record additional future operating costs for the

amortization of goodwill and other intangible assets, which amounts could be significant; and

- integration of new technologies, products or services into our existing suite of products and business strategy or into the then current market for such solutions.

We may not be able to successfully address these problems. Moreover, our future operating results will depend to a significant degree on our ability to successfully manage growth and integrate acquisitions. If such acquisitions are completed, we may not be able to successfully develop these young companies.

If we are unable to keep up with the rapid changes in technology and distribution channels related to the Internet, we may not be able to succeed.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our software products, network distribution systems, support infrastructure and technologies. The industries in which we compete are characterized by rapid technological change, changes in use and client requirements and preferences, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing proprietary technology and systems obsolete. Furthermore, the adoption of new Internet or telecommunications technologies may require us to devote substantial resources to modify and adopt such technologies. Our success will depend, in part, upon our ability to adapt to this rapidly evolving marketplace. We may not be able to adequately adapt our products and services or to acquire new products and services that can compete successfully. In addition, we may not be able to establish and maintain effective distribution channels.

Due to intense competition in the industries that we serve and intend to serve, our market share and financial performance could suffer.

The markets in which we do business are highly competitive and many competitors and potential competitors are more established and have greater financial resources than us. We face competition primarily from wholesalers and retail exchanges as well as from companies in the information technology, Internet and software industries. This particular niche of the on-line shopping industry that we operate in is highly fragmented and there are virtually no barriers to entry into this market. We expect on-line shopping sites to proliferate. We expect that competition will intensify in the future. Many competitors and potential competitors also have greater market presence, brand name recognition, financial resources, engineering and marketing capabilities and technological and personnel resources than us. As a result, competitors may:

- develop and expand their Internet infrastructure and service offerings more efficiently or more quickly;

- adapt more swiftly to new or emerging technologies and changes in client requirements;

- take advantage of acquisitions and other opportunities more effectively;

- devote greater resources to the marketing and sale of their products and services; and

- more effectively leverage existing relationships with clients and strategic partners or exploit more recognized brand names to market and sell their services.

These and other competitive pressures may also force prices for information technology, Internet and software goods and services down and this price reduction may reduce our revenues and adversely affect our results of operations and financial condition.

The loss of our senior management or other key personnel or our failure to attract additional personnel could negatively affect our business and decrease the value of your investment.

Our success depends largely on the skills of David E. Rabi, our President, and certain other key management and technical personnel as well as key management and technical personnel of companies acquired by us. Our performance is also substantially dependent on the services and performance of our management team at the parent and subsidiary levels. The loss of Mr. Rabi or one or more of our other board members, key management and technical personnel may materially and adversely affect our business, results of operations and financial condition. We may not be able to replace any of these persons in the event their services become unavailable. We do not have employment or non-compete agreements with any of our key management personnel.

We also believe continued hiring of new personnel will be required to support our business and planned growth. Our success also depends in large part on our ability to identify, hire, train and retain Internet, software and other technology professionals who can provide the technical, strategic, creative, marketing and audience development skills required by clients and well as key management and financial personnel. There is a shortage of qualified personnel and we compete with other companies for this limited pool. We may not be able to attract, train, or retain qualified personnel.

Our quarterly results may fluctuate widely and this may adversely effect our business operations as well as our value.

Due to our limited operating history and the unpredictability of our industry, we may not be able to accurately forecast our net sales and net profits. We base our current and future expense levels and our investment plans on estimates of future net sales. Our expenses and investments are to a large extent fixed. We may not be able to adjust our spending quickly if our net sales and net profits fall short of our expectations.

Our operating results will fluctuate for many reasons, including:

- changes in general economic conditions, including consumer spending,

- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers' demands,

- our ability to acquire merchandise, manage our inventory and fulfill orders,

- the introduction by our competitors of web sites, products or services and business exchanges,

- changes in usage of the Internet and online services and consumer acceptance of the Internet and e-commerce,

- timing of upgrades and developments in our systems and infrastructure,

- the effects of acquisitions and other business combinations, and our ability to successfully integrate those acquisitions and business combinations,
- technical difficulties, system downtime or Internet brownouts,
- variations in the mix of products and services we sell,
- variations in our level of merchandise and vendor returns, and
- disruptions in service by shipping carriers.

Both seasonal fluctuations in Internet usage and traditional retail seasonality are likely to affect our business. Internet usage generally slows during the summer months. Sales in almost all of our product groups, particularly toys and electronics, usually increase significantly in the fourth calendar quarter of each year.

The emerging nature of the commercial uses of the Internet makes predictions concerning our future revenues difficult. We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful and should not be relied upon as indicative of our future performance. It is also possible that in some fiscal quarters our operating results will be below the expectations of securities analysts and investors. In these circumstances, the price of our Common Stock may decline disproportionately to actual results.

We base our current and future expense levels on our anticipated investment plans and estimates of future revenues. Currently our expenses are to a large extent fixed, but this could change as a result of future investments, a change of business strategy or infrastructure needs. We may not be able to adjust our spending quickly if our revenues fall short of our expectations. Further, we may make pricing, purchasing, service, marketing, acquisition or financing decisions that could adversely affect our business results.

Limitations on liability of directors and officers.

Our Articles of Incorporation and By-laws include provisions to the effect that (subject to certain exceptions) we shall indemnify, and upon request shall advance expenses to, any director or officer to the extent that such indemnification and advancement of expenses is permitted under the Nevada General Corporation law. Indemnification is available if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of 800America and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. As a result of such provisions in the Articles of Incorporation and the By-laws, shareholders may be unable to recover damages against our directors and officers for actions taken by them which constitute negligence, gross negligence or a violation of their fiduciary duties, which may discourage or deter shareholders from suing our directors, officers, employees and agents for breaches of their duty of care, even though such action, if successful, might otherwise benefit us and our shareholders.

If adverse economic and political conditions occur, substantial declines in the markets may result which, in turn, could adversely affect our revenues, potential profitability, and ability to make acquisitions and achieve necessary liquidity.

In the past several years, the U.S. financial markets have achieved historic highs. We do not believe that these strong markets will continue indefinitely and, in fact, the financial markets have experienced significant declines. Our revenues, potential profitability, and ability to make acquisitions and achieve necessary liquidity are likely to decline significantly during periods of stagnant economic conditions or low trading volume or adverse conditions in the U.S. and global securities and commodities markets.

In addition, the terrorist attacks that took place in the United States on September 11, 2001, are an unprecedented event that have created many economic and political uncertainties, some of which may harm our business and prospects. The national and global responses to these terrorist attacks, many of which are still being formulated, may materially adversely affect our business in ways we cannot predict at the present time.

If we are unable to license and lease certain technology and communications facilities from third parties in the future, our business will suffer.

We lease communications facilities integral to our business. In the future, we expect to license and lease certain technology and communications facilities from third parties, including value-added commerce related products and services which may be integrated with internally developed management tools and services, as well as broadband communications services. Third party technology licenses and leases may not be available to us on commercially reasonable terms or at all. Our failure for any reason to obtain or maintain such licenses and leases on commercially reasonable terms, in timely fashion or at all, could harm our business, operating results and financial condition. Our inability to obtain upgrades to our leased communications facilities could result in delays in our network and new business and technology developments until equivalent facilities could be obtained and integrated. Any of those delays could materially adversely affect us.

We may be unable to protect our intellectual property and may incur claims that we are misusing intellectual property of others.

Although we take various steps to seek to protect our proprietary rights, those actions may be inadequate to prevent misappropriation of core technology or trademarks, copyrights and other proprietary rights. In addition, agreements intended to provide that protection may be unenforceable or limited in certain countries. Notwithstanding any precautions taken, it might be possible for a third party to copy or otherwise obtain and use software or other proprietary information of 800America or any business in which we have an interest without authorization or to develop similar property independently. Policing unauthorized use of this intellectual property is difficult and expensive, particularly because the global nature of the Internet makes it impossible for some of our businesses to control the dissemination of their work and use of their services.

We publish or distribute content over the Internet and, therefore, may be subject to legal liability. We may be subject to legal claims relating to the content on our web sites, or the downloading and distribution of this content. Claims could involve matters such as defamation, invasion of privacy and copyright infringement. Providers of Internet products and services have been sued in the past, sometimes successfully, based on the content of material. We also may not be able to acquire or maintain appropriate domain names in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or diminish the value of our trademarks and other proprietary rights.

We may in the future receive notices from third parties regarding these claims. While we are not currently subject to any claim involving intellectual property or similar rights, any future claim, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and require us to enter into royalty and licensing agreements or other agreements, which could have a material adverse effect on our business, results of operations and financial condition. These royalty and licensing or other agreements, if required, may not be available on terms acceptable to us or at all. In the future, we may also need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets and to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, results of operations and financial condition.

If we face liability, particularly liability that is not covered by insurance or is in excess of future insurance coverage, then our reputation and business may suffer. In the past, plaintiffs have brought these types of claims and sometimes successfully litigated them against online services. Although we intend to carry general liability insurance, our future insurance may not cover claims of these types or may be inadequate to indemnify us for all liability that may be imposed on us.

If our businesses experience failures of, or capacity constraints in, our technology, transaction processing systems and network infrastructure or those of third parties on which those companies rely, our financial performance may suffer and our or any one our businesses' reputation could be damaged.

Our products, technology, transaction processing systems and network infrastructure use both internally developed and third-party systems to operate the Internet aspects of our business. If the number of users of our businesses increases substantially, we will need to significantly expand and upgrade our products, technology, transaction processing systems and network infrastructure. We do not know whether we will be able to accurately project the rate or timing of any increases, or expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner. Our ability to facilitate transactions successfully and provide high quality customer service also depends on the efficient and uninterrupted operation of our computer and communications hardware systems. Our products, technology, transaction processing systems and network infrastructure may experience periodic system interruptions from time to time. We may not carry sufficient business interruption insurance to compensate for losses that could occur. Any system failure that causes an interruption or decrease in responsiveness of our service could impair our financial performance, and could damage our reputation.

Government regulations may impede our success.

Government regulations and legal uncertainties may place financial burdens on our business. As of January 11, 2002, there were relatively few laws or regulations directed specifically at e-commerce. However, because of the Internet's popularity and increasing use, new laws and regulations may be adopted. These laws and regulations may cover issues such as the collection and use of data from web site visitors and related privacy issues, pricing, content, copyrights, distribution and quality of goods and services. The enactment of any additional laws or regulations may impede the growth of the Internet and business-to-business e-commerce, which could decrease the revenue of our businesses and place additional financial burdens on our businesses. Laws and regulations directly applicable to e-commerce or Internet communications are becoming more prevalent. For example, Congress recently enacted laws regarding online copyright infringement and the protection of information collected online from children. Although these laws may not have a direct adverse effect on our business or those of our partner companies, they add to the legal and regulatory burden faced by Internet companies.

Risk of system failure.

Customer access to our web sites directly affects the volume of goods we sell and thus affects our net sales. We experience occasional system interruptions that make our web sites unavailable or prevent us from efficiently processing transactions, which may reduce our net sales and the attractiveness of our products and services. To prevent system interruptions, we continually need to: add additional software and hardware; upgrade our systems and network infrastructure to accommodate both increased traffic on our web sites and increased sales volume; and integrate our systems. However, our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, break-ins, terrorist acts, earthquake and similar events. In addition, computer viruses, physical or electronic break-ins and similar disruptions could cause system interruptions, delays and loss of critical data and could prevent us from providing cervices and accepting and fulfilling customer orders. If this were to occur, it could damage our reputation. We do not have dedicated backup facilities for conducting operations in the event of such a disaster or service interruption, although we backup and store information offsite on a daily basis and we would expect that, except in the event of widespread disasters, we would use our daily backup to resume operations at another site with appropriate hardware and communications systems. We may have inadequate insurance coverage or insurance limits to compensate us for losses from a major interruption.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations and financial condition. In addition, our Internet customers will depend on their Internet service providers for access to our web sites. These providers have experienced significant outages in the past and could experience outages, delays and other difficulties in the future.

Forward looking statements and associated risks.

This Prospectus contains certain forward-looking statements, including among others (i) anticipated trends in our financial condition and results of operations and (ii) our business strategy. These forward-looking statements are based largely on our current expectations and are subject to a number of risks and uncertainties. Actual results could differ materially from these forward-looking statements. In addition to other risks described elsewhere in this "Risk Factors" discussion, important factors to consider in evaluating such forward-looking statements include (i) changes in external competitive market factors or in our internal budgeting process which might effect trends in our results of operations; (ii) unanticipated working capital or other cash requirements; (iii) changes in our business strategy or an inability to execute our strategy due to unanticipated changes in the industries in which we operate; and (iv) various competitive factors that may prevent us from competing successfully in the marketplace. In light of these risks and uncertainties, many of which are described in greater detail elsewhere in this "Risk Factors" discussion, the events predicted in forward-looking statements contained in this Prospectus may not, in fact, transpire.

Risks Related to e-commerce and the Internet

Our business depends on the increased acceptance and use of the Internet as a medium of commerce.

Our success depends on the increased acceptance and use of the Internet as a medium of commerce, including advertising, marketing, providing services, business to business and business to consumer exchanges and portals, payment systems in single and multiple currencies, purchasing and otherwise conducting business. The future of the Internet for commercial purposes is not clear. Rapid growth in the use of the Internet and electronic commerce is a relatively recent phenomenon. As a result, acceptance and use may not continue to develop at recent rates and a sufficiently broad base of customers may not adopt or continue to use the Internet as a medium of commerce. In addition, it is not clear how effective advertising on the Internet is in generating business as compared to more traditional types of advertising such as print, television and radio. Demand for and market acceptance of services and products recently introduced over the Internet are subject to a high level of uncertainty, and few proven services and products yet exist.

Electronic commerce may not prove to be a viable medium for purchasing or exchanging products or a viable medium for payment systems for the following reasons, any of which could seriously harm our business:

- the necessary infrastructure for Internet communications may not develop adequately;
- consumers and businesses may have security and confidentiality concerns;
- complementary products, such as high-speed modems and high-speed communication lines, may not be developed as quickly as the technology develops and need arises;
- alternative purchasing and payment solutions may be implemented;
- buyers may dislike a reduction in the human contact that traditional purchasing methods provide;
- use of the Internet and other online services may not continue to increase or may increase more slowly than expected;
- the development or adoption of new standards and protocols may be delayed;
- new and burdensome governmental regulations may be imposed; and
- bank and other financial institutions may resist or prohibit certain Internet payment systems.

Clients may be hesitant to use electronic systems due to concerns over potential security risks, including unauthorized use of confidential information, exposure to viruses, and disruptions of service.

The secure transmission of confidential information over public networks is a critical element of e-commerce generally and our business. If users are not confident in the security of e-commerce, they may not effect transactions over the Internet or decide continued commerce on the Internet, including using our products, is not a viable alternative. If our businesses that depend on such transactions do not add sufficient security features to their future product releases, their products may not gain market acceptance or there may be additional legal exposure to them. We cannot be certain that advances in computer capabilities, new discoveries in the field of cryptography, or other developments will not result in the compromise or breach of the algorithms we use to protect content and transactions on our e-marketplaces or proprietary information in our databases. Our networks and those of third party service providers and of clients may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or information of our users, or cause interruptions or malfunctions in our operations. We may be required to expend significant resources to protect our networks against the threat of security breaches, including resources that may be required to be used to participate in litigation to alleviate problems caused by any breaches. This litigation, regardless of the outcome, could result in substantial costs and diversion of management and technical resources, either of which could materially harm our business. Security breaches could damage our reputation and, consequently, our ability to conduct business successfully.

Growing concerns about the use of "cookies" may limit our ability to develop user profiles.

Web sites typically place small files of information commonly knows as "cookies" on a user's hard drive, generally without the user's knowledge or consent. Cookie information is passed to the web site through the Internet user's browser software. Our technology currently uses cookies to collect information about an Internet user's movement through the Internet. Most currently available Internet browsers allow users to modify their browser settings to prevent cookies from being stored on their hard drive, and a small minority of users are currently choosing to do so. Users can also delete cookies from their hard drive at any time. Some Internet commentators, privacy advocates and governmental bodies have suggested limiting or eliminating the use of cookies. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies is limited, we would likely have to switch to other technology that allows us to gather demographic and behavioral information. This could require significant reengineering time and resources might not be completed in time to avoid negative consequences to our business, financial condition or results of operations, and might not be possible at all.

Risks Related to an Investment in the Shares

The public trading market for our Common Stock is limited and may not be developed or sustained.

There is a limited trading market for the Common Stock. Since November 8, 1999, the Common Stock has been traded sporadically under the symbol "ACCO" on the OTC bulletin board, a Nasdaq sponsored and operated inter-dealer automated quotation system for equity securities. There can be no assurance that an active and liquid trading market will continue or that it will be sustained.

The price of our Common Stock has been volatile.

The market price of our Common Stock has been, and is likely to continue to be, volatile, experiencing wide fluctuations. For example, during the 52-week period ended December 31, 2001, the market price of our Common Stock ranged from $0.37 to $4.66. In recent years, the stock market has experienced significant price and volume fluctuations which have particularly effected the market prices of equity securities of many companies providing Internet-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. Future market movements may adversely affect the market price of our Common Stock. In addition, the market price of our Common Stock is subject to significant fluctuation due to the following factors:

- variations in stock market conditions;
- changes in financial estimates by securities analysts or by our failure to meet estimates;
- variations in quarterly operating results;
- general conditions effecting all participants in our industry;
- announcements by us or our competition;
- regulatory developments; and
- economic or other external factors.

Ownership of our shares is concentrated.

As of January 11, 2002, Mr. David E. Rabi, our President, beneficially owned approximately 55% of our outstanding Common Stock. As a result, Mr. Rabi possesses significant influence over us on business and corporate matters, including the election of directors. The concentration of our share ownership may: delay or prevent a change in control of 800America, impede a merger, consolidation, takeover, or other business involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Anti-takeover provisions could make a third-party acquisition of us difficult.

We are a Nevada corporation. Certain anti-takeover provisions of the Nevada General Corporation Law and our right to issue preferred stock could have the effect of making it more difficult for a third party to acquire control of us. In addition, our Articles of Incorporation provide that our Board of Directors may issue preferred stock without shareholder approval. The issuance of preferred stock could make it more difficult for a third party to acquire us without the approval of our board.

We may require additional funding to expand our operations and the interests of holders of Common Stock could be adversely affected by any such financing.

Capital, if available to us at all, could be in the form of debt or equity. Any increase in our debt:

- might require the creation of a class of securities that would be senior in right of payment to the Common Stock in voting rights, in payment of dividends, in the event of our liquidation or in other respects;
- might restrict our ability to pay dividends;

- could require significant interest payments that would affect our earnings and cash flow, which, in turn, could affect our ability to pay dividends;
- would increase the vulnerability of our business to downturns in the

economy;

- would limit our ability to withstand competitive pressures from less leveraged competitors; and

- would hinder our ability to grow, and raise additional financing for working capital.

The increase of significant amounts of equity:

- could affect our earnings per share of Common Stock;

- could result in a series or class of preferred stock having superior or pari-passu rights, preferences and powers, including as to dividends, voting and liquidation preferences; and

- would result in dilution of the interests of holders of our Common Stock in our earnings, as well as the voting power of all of our securities holders.

We may issue preferred stock, which could dilute the interest of holders of the Common Stock or deter a change of control of 800America, even if the change of control is favored by its shareholders.

Our Articles of Incorporation permit our Board of Directors to issue shares of preferred stock in one or more series having the rights, privileges and limitations, including voting rights, conversion privileges and redemption rights, as may, from time to time, be determined by our Board of Directors. The issuance of preferred stock senior to the Common Stock could dilute the interests of holders of the Common Stock. Furthermore, shares of preferred stock that may be issued could be utilized as a method of making it more difficult for any party to gain control of us unless approved by our Board of Directors.

Certain events could result in a dilution of your ownership of our Common Stock.

As of January 11, 2002, we had 17,736,627 shares of Common Stock outstanding and as of January 11, 2002, we had approximately 2,491,775 Common Stock equivalents including warrants and stock options. The exercise prices of the Common Stock equivalents range from $1.00 to $4.25 per share. These securities also provide for antidilution protection upon the occurrence of sales of our Common Stock below certain prices, stock splits, redemptions, mergers and other similar transactions. If one or more of these events occurs the number of shares of our Common Stock that may be acquired upon conversion or exercise would increase. If converted or exercised, these securities will result in a dilution to your percentage ownership of our Common Stock.

You may have difficulties trading and obtaining quotations on "penny stock" issues.

The shares of common stock offered are for "penny stocks" as defined in the Exchange Act. These shares are traded in the over-the-counter market on the OTC Bulletin Board. As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the price of the shares of the common stock being registered. In addition, the "penny stock" rules adopted by the SEC under the Exchange Act make the sale of the shares of the common stock subject to certain regulations, which impose sales practice requirements on broker-dealers. For example, broker-dealers selling such securities must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in such securities. Furthermore, if the person purchasing the securities is someone other than an accredited investor or an established customer of the broker-dealer, the broker-dealer must approve the potential customer's account by obtaining information concerning the customer's financial situation, investment experience and investment objectives. The broker-dealer must also make a determination whether the transaction is suitable for the customer and whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk of transactions in such securities. Accordingly, the SEC's rules may limit the number of potential purchasers of the shares of the common stock.

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Resale restrictions on transferring "penny stocks".

Various state securities laws impose restrictions on transferring "penny stock" and as a result, investor in the Common Stock may have their ability to sell their shares of the Common Stock impaired. For example, the Utah Securities Commission prohibits brokers from soliciting buyers for "penny stocks", which makes selling them more difficult.

We are not current in our SEC reports.

Certain information, principally financial information, relating to several of the acquisitions we have made has not been completed and filed in a current report with the SEC. This inability to complete the information has caused us to not be current in our reporting obligations. We cannot predict what the result of this might be to our Company. As long as we are deficient in our reporting obligation, we are prevented from using certain SEC forms and our shareholders who hold "restricted shares" cannot sell them under Rule 144. We are working to complete the information and file it with the SEC.

USE OF PROCEEDS

We advanced monies to certain of the Selling Security Holders in connection with our acquisitions of their assets. The advances have been secured by some of the common stock we issued that is now being offered for sale. If those Selling Security Holders sell their shares we are entitled to collect the proceeds from some of the sales. The total amount of the advances was approximately $35,000. To the extent we receive any proceeds we will use the amounts for general corporate purposes.

DIVIDENDS

To date, we have paid no dividends on any shares of our Common Stock, and our board of directors has no present intention of paying any dividends on the Common Stock in the foreseeable future. The payment by us of dividends on the Common Stock in the future, if any, rests solely within the discretion of our board of directors and will depend upon, among other things, our earnings, capital requirements and financial condition, as well as other factors deemed relevant by our board of directors. Although dividends are not limited currently by any agreements, it is anticipated that future agreements, if any, with institutional lenders or others may limit our ability to pay dividends on the Common Stock.

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CAPITALIZATION

The following table sets forth our capitalization at September 30, 2001 on an actual and as adjusted basis to give effect to this offering, but does not include warrants that we may issue to the placement agent.

	September 30, 2001 (in thousands)	
	Actual (Unaudited)	As Adjust (Unaudite
Shareholders' equity		
Preferred Stock, $0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding at September 30, 2001	--	--
Common Stock, $0.001 par value; 50,000,000 shares authorized; 16,161,943 issued and outstanding at September 30, 2001	16,162,000	16,162,0
Additional paid in capital	2,757,663	2,757,6
Retained earnings (deficit)	8,161,972	8,161,9
Total Capitalization	10,935,797	10,935,7

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PRICE RANGE OF COMMON STOCK

Our Common Stock has been quoted on the OTC:BB since November 8, 1999 under the symbol "ACCO". The following table set forth, the high and low bid prices for the Common Stock for the quarters indicated. As of January 11, 2002 there were 292 shareholders of record. The source of the quotes is Yahoo Financial.

	Common Stock Bid Price	
Calendar Year 2000	High	Low

First Quarter	$5.625	$3.125
Second Quarter	$5.00	$1.25
Third Quarter	$2.50	$1.25
Fourth Quarter	$2.50	$1.25

Calendar Year 2001	High	Low
First Quarter	$2.18	$1.34
Second Quarter	$3.25	$ .37
Third Quarter	$4.65	$1.53
Fourth Quarter	$4.00	$1.55

As of January 11, 2002, there were 17,736,627 shares of Common Stock issued and outstanding and an additional approximately 1,866,450 shares to be issued.

OUR DIVIDEND POLICY

It is anticipated, that for the foreseeable future, earnings will be retained for the development of our business. Accordingly, we do not anticipate paying dividends on the Common Stock in the foreseeable future. The payment of future dividends will be at the sole discretion of our Board of Directors and will depend on the Company's general business condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

General

The Company operates several Internet web sites in three segments: Business to Business; Business to Consumers and Technology. The Companys goal is to bring buyers and sellers together in an efficient and easy format and generate income based on the transactions. This approach to customer acquisition and retention has provided the Company with a strong following of users. The Company is an innovator in developing proprietary technologies needed for easy navigation for business-to-business-and business-to-consumer environments. The Company's technologies coupled with its unique customer approach continue to strengthen relationships with its customers. These technologies are providing the foundation needed to scale and grow the e-commerce businesses profitably across geographic regions and multiple product lines.

The Company is the home of many Internet shoppers. It offers shoppers a convenient way to navigate easily among hundreds of stores. The portal offers incentives to visit continuously the site through promotions and giveaways. The Company funds TV advertising in over 50 cities around the world.

Sites operated by the Company include a shopping portal 1 2 click, RothmanCloseouts.com, InternetWebGuide.com, FileShooter.com, InShop.com, eBiz4biz.com, cs-live.com, iGain.com and UPS payment.com, WizardWorld.com and Youtopia.com.

Results of Operations

Years Ended December 31, 2000 and 1999

The Company had revenues of $15,980,529 for the year ended December 31, 2000 compared to revenues of $3,283,575 for the year ended December 31, 1999. Net income for the year ended December 31, 2000 was $2,072,494 compared to $185,447 for the year ended December 31, 1999. The annual results of operations are not comparable because of the new divisions in which the Company was engaged in the most recent year. The Company realized revenue of $14,640,954 in its B2C division, $1,296,575 in its B2B division and $43,000 in its Technology division. Costs and expenses for the year ended December 31, 2000 were $12,866,629, resulting in operating income for the year of $3,113,900. This compares with costs and expenses of $3,008,405 that resulted in operating income of $275,170 for the year ended December 31, 1999. Customer rebates totaled $8,913,351 for the year ended December 31, 2000 and represented approximately 69% of total costs and expenses. Other than customer rebates, the largest categories of costs and expenses were for general, selling and administrative expenses in the amount of $1,004,481 (including salaries and other personnel expenses), bad debt expenses in the amount of $270,795, advertising costs and expenses in the amount of $1,878,318 and depreciation and amortization expenses of $486,480. In 1999 the largest categories of costs and expenses were for general, selling and administrative expenses in the amount of $320,980 (including salaries and other personnel expenses), bad debt expenses in the amount of $66,000, advertising costs and expenses in the amount of $397,738 and depreciation and amortization expenses of $88,019. Because of the Company's limited operating history and the changing competition in the on-line shopping business, management cannot predict, based upon past performance, whether the above listed cost and expense categories are relatively stable or subject to a substantial degree of volatility.

The Company believes that its revenues and expenses will continue to increase substantially in the year ending December 31, 2001, both because of the continuing expansion of the Company's business and because of the changing competition in the on-line shopping business. Additional expenses are also likely to be incurred as the Company expands its bandwidth capacity in order to accommodate new stores at its web sites as well as new websites.

Liquidity and Capital Resources

Net cash provided by operating activities was $2,153,221 in the year ended December 31, 2000 compared to net cash provided by operations of $96,899 for the year ended December 31, 1999. The Company's net cash increase for the year ended December 31, 2000 was $1,725,182 compared to a net cash increase for the year ended December 31, 1999 of $391,987. The Company's ending cash balance at December 31, 2000 was $2,117,746 compared to an ending cash balance at December 31, 1999 of $392,564. Net cash inflows from operations are expected to continue during the fiscal year ending December 31, 2001.

The Company's cash and cash equivalents as of December 31, 2000 were $2,117,746 compared with $392,564 as of December 31,1999. The Company had working capital (current assets less current liabilities) of $2,732,571 at December 31, 2000 compared with $635,887 at December 31, 1999 and no material long-term commitments or material commitments for capital or operational expenditures.

The Company believes that its current capital resources and liquidity are adequate for its present level of activity for at least the next twelve months. Other than advertising, marketing and promotional expenses and development of additional on-line sites, the Company does not have any plans for significant capital or operating expenditures above its current level. However, if the Company determines that significant additional advertising and marketing expenses are warranted over the next twelve months, the Company may seek additional funds, including the sale of its common stock in either public or private transactions.

Quarter Ended September 30, 2001 Compared to Quarter Ended September 30, 2000.

The Company had revenues of $5,941,924 for the quarter ended September 30, 2001 compared to revenues of $3,922,359 for the quarter ended September 30, 2000. Net income for the quarter ended September 30, 2001 was $2,623,463 compared to net income of $1,258,524 for the quarter ended September 30, 2000. Total operating expenses for the quarter ended September 30, 2001 were $3,318,461 resulting in operating income for the quarter of $2,623,463. This compares to total operating expenses of $2,663,835 for the quarter ended September 30, 2000, resulting in operating income of $1,258,524. The Company has instituted a policy of not paying rebates as of January 1, 2001 and hence represented none of the total operating expenses. This compared to customer rebates of $1,362,744 for the quarter ended September 30, 2000 that represented approximately 51% of total operating expenses. Because of the Companys limited operating history with its various web sites, management cannot predict, based upon past performance, whether the above listed cost and expense categories are relatively stable or subject to a substantial degree of volatility. Management continues to expect that advertising costs will be a significant part of its operating structure. Management expects that revenues from Business to Consumers divisions will continue to increase in the fourth quarter. Management expects that all other divisions will have increased revenues and profits.

Liquidity And Capital Resources

The Companys cash and cash equivalents as of September 30, 2001 were $9,107,264. At September 30, 2001, the Company had current assets of $9,213,431 and current liabilities of $1,000,945 resulting in working capital at September 30, 2001 (current assets less current liabilities) of $8,212,486.

In September 2001, the Company acquired substantially all of the assets, including the name, of cs-live.com inc. The purchase price was $50,000 and 450,000 shares of common stock. The Company also assumed certain operating liabilities. cs-live inc. changed its name to Intelligent Web Technologies, Inc. The Company has made advances to Intelligent Web Technologies, Inc. of approximately $325,000. The advances are secured by the shares of common stock paid as part of the purchase price.

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During the period the Company acquired all the capital stock of Universal Payment Systems, Inc. (UPSI). The purchase price was $1.00. UPSI was purchased from Management of the Company.

Also, during the period the Company raised a total of approximately $6,700,000 from the sale of its common stock in two private placements. Subsequently, the Company rescinded $5,500,000 to an investor.

The Company believes that its current capital resources and liquidity are adequate for at least the next twelve months. Other than costs in connection with the further development of its web sites, the Company does not have any plans for significant capital or operating expenditures above its current level unless it determines to develop additional web sites that could result in additional development costs. The Company may also make additional acquisitions which might be financed at least in part with Company funds.

Nine Months Ended September 30, 2001 Compared With September 30, 2000 Results of Operations

The Company had revenues of $15,244,673 for the nine months ended September 30, 2001 compared with revenues of $9,501,802 for the nine months ended September 30, 2000. This represents a 60% increase. The increase was primarily the result of increased sales. Net income from operations was $8,644,800 for the nine months ended September 30, 2001 compared with net income of $2,016,962 for the nine months ended September 30, 2000. Total operating expenses were $6,600,000 for the nine months ended September 30,2001 compared with $7,485,000 for the nine months ended September 30,2000. This is a decrease of 12% and is primarily a result of the discontinuance of the rebate program.

Liquidity And Capital Resources

Net cash provided for operating activities was $8,157,000 for the nine months ended September 30, 2001 compared with net cash of $1,575,661 for the nine months ended September 30, 2000. The increase in net cash was primarily attributable to an increase in revenues, sale of operating assets, the proceeds from the sale of common stock in a private placement and a decrease in operating costs as a result of ending the rebate program. During the nine month period ended September 30, 2001, the Company sold assets for $500,000 and purchased two companies for approximately $1,550,000 in cash and common stock. During the nine months ended September 30, 2000, the Company obtained $250,000 through the sale of equity securities in a private placement.

Events Subsequent to September 30, 2001

In October, 2001, the Company acquired all of the capital stock of iGain, Inc. The purchase price was 1,050,000 shares of common stock. The Company agreed to repurchase, at the option of the holders, 1,000,000 shares of the common stock issued in the merger for a price at $2.60 per share (the Put Shares). The conditions for which the Company will repurchase the Put Shares is (i) if the current Chief Executive Officer is no longer serving in that capacity, (ii) the Company conducts a public offering of its securities and receives at least $7,000,000 in proceeds, or (iii) one year from the closing date of the merger. In connection with the merger, the Company agreed to repurchase a total of 51,028 of the Put Shares within 30 days of the closing for $2.25 per share. The Company is the beneficiary of a term life insurance policy that covers the demise of the current Chief Executive Officer. The amount of the policy is $10,000,000.

In December, 2001, we acquired the capital stock of WizardWorld, Inc. in a stock for stock merger. The purchase price was 660,000 shares of our common stock. We agreed to repurchase the common stock given in the merger in one year at a purchase price of $2.60 per share. Certain of the holders of WizardWorld preferred stock who received our common stock in the merger purchased a total of 350,000 shares of our common stock in a private placement for a total of $850,000. Such purchasers also have the right to have us reacquire the shares at $2.60 per share after one year.

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In January, 2002, we acquired the assets and assumed certain operating liabilities of Youtopia.com, Inc. The purchase price was 500,000 shares of our common stock. We also paid approximately $110,000 to remove a lien on the assets. This money is to be repaid out of the proceeds of a sale of some of the Common Stock we issued in the transaction. In connection with the transaction we hired Youtopia's Chief Executive Officer as a consultant for six months. The compensation paid to the consultant was 150,000 shares upon signing a consulting agreement and 6,667 shares per month

BUSINESS

Our Business

We are a growing company that owns and operates international e-commerce and technology businesses. Our primary business is to bring buyers and sellers together in an efficient and easy to use format and generate fees based on transactions. We are an innovator in developing proprietary technologies and processes needed for easy navigation and convenience in business-to-business and business-to-consumer environments. Our approach to customer acquisition and retention has provided us a strong following of loyal Internet users. Our technologies have provided the foundation needed for us to scale and grow our e-commerce businesses profitably across geographic regions and multiple product lines.

The majority of our revenues are derived from commissions generated on transactions made through our two primary businesses, the 800America Network and Rothman Closeouts. The divisions share their underlying technologies and the management team responsible for company profits.

The 800America Network: The 800America Network consists of a group of companies that provide e-commerce services.

The 800Arnerica Network (www.800america.com), our shopping portal, is the home to many Internet shoppers. The 800America Network offers consumers a convenient way of easily navigating among hundreds of stores. We are paid a monthly commission by the retail stores included in the 800America Network of 5 to 20% on items sold on the portal. We are actively involved in determining the stores that are listed on the portal based on shopper preference. Our filtering mechanism for bringing stores into the network is based upon the preferences of our users. As of January 11, 2002, there were approximately over 250 retailers and other merchants included in the Network.

We offer incentives to keep new and repeat visitors coming to the 800America Network site through promotions, give-aways, prizes and contests. We run television advertising to increase the number of visitors to the 800America Network. As of January 11, 2002, our portal had over 700,000 registered customers making over 300,000 transactions per month.

The 800America Network offers other services to both its users and its vendors. Through an 800America Network subsidiary, inShop (www.inshop.com), we provide a customized mass direct mail service that alerts our inShop customers about merchandise on sale at particular stores. The stores pay us a per alert fee to include their sales in the alerts. We receive payments from the stores to send these alerts to our visitors. inShop has a rich database of consumers, and extensive relationships with stores and shoppers. The inShop model helps shoppers make smart shopping decisions by allowing its members to receive both fashion and designer sales alerts via e-mail.

We developed and grew our customer base of Internet shoppers through our online magazine, Internet Web Guide (www.intemetwebguide.com). Our Internet

Web Guide provides site reviews and articles relating to Internet shopping. The online magazine is a leading magazine on the web and is available in six languages and in several countries around the world.

Rothman Closeouts: Rothman Closeouts operates the world's leading web-based global trading community for surplus and closeout merchandise.

Rothman Closeouts, a member of the 800America Network (www.rothmancloseouts.com), the world's leading web-based global trading community for surplus and closeout merchandise, is a leading business to business closeout portal for manufacturers, wholesalers and retailers to sell and buy surplus inventories around the world. Through management's years of experience in closeout merchandise, Rothman has built an on-line global trading community in which buyers and sellers are brought together in an efficient and cost-effective manner to buy and sell surplus merchandise. The Rothman online platform has been used by many brick and mortar companies seeking an online distribution channel for their surplus and closeout merchandise. We believe these relationships will continue to increase as brick and mortar companies seek new ways to bring their businesses to the Internet without incurring significant start-up and operating costs.

Rothman's business model was developed based on our management team's in-depth knowledge of the industry. Our management team has many years of industry experience and understands how buyers and sellers trade in surplus merchandise. Our understanding of the marketplace provides us a competitive edge and is reflected in the services we provide. We continue to tailor our Rothman services to reach web-based trading communities in other countries. We have expanded the Rothman services to thousands of small business owners across America. Most surplus merchandise is sold in larger lots at higher prices leaving the small business owner unable to compete with the large retailers offering closeouts. Our services allow these small business owners to aggregate their surplus merchandise so that they may share in the benefits of selling larger lots.

Our goal is to be the "virtual closing room" for closeout merchandise around the world. Our proprietary technology automates the customer buying process and has proven instrumental in our ability to reach our goal. This technology finds and then matches buyers and sellers, and builds a fast and accurate customer buying system. This provides Rothman Closeouts with the ability to gather information on customer buying behaviors on a realtime continuous basis. The information allows Rothman Closeouts to provide valuable assistance to its customers in order to close the sale during the actual negotiation. We operate Rothman internationally and have expanded our services to the Far East, Europe and South America.

Other Products and Services:

Fileshooter (www.fileshooter.com), has led to the development of a revolutionary new peer-to-peer communications tool for secure, private instant Internet messaging that sends and receives any kind or size file including text, music, pictures and graphics. We acquired a 51 % ownership in Fileshooter in November 2000 and completed the acquisition for the remaining 49% in July 2001and worked with the company's existing technology to further develop the Fileshooter product.

Fileshooter instantly sends and receives any type or size of file, including, but not limited to, text, music, pictures and graphics or any combination thereof. What makes Fileshooter different from other products is that it does not reside on any intermediary's server used in sending or receiving e-mail. Fileshooter takes a file and wraps it in an encrypted format. The file is then sent via the Internet with nothing more than an Internet

Protocol (IP) address tag to the designated recipient. This innovative process allows the sender and receiver to communicate privately regardless of each others browser, e-mail product or Internet service provider. The Fileshooter file tunnels through the Internet and its myriad of routers instantly to reach the recipient.

Fileshooter serves the need for individuals, groups and corporations to communicate with a variety of other individuals or organizations which may have different service providers and server technologies. Fileshooter offers additional flexibility to users in providing the ability to open a private chat line of communication which does not reside on any intermediary's server. The chat line is private, quick and deleted once the transmission is complete. We began marketing the software product to consumers and businesses in the third quarter of 2001.

WizardWorld is an online marketplace where people can buy, sell or trade collectibles.

cs-live provides real-time communications using the Internet as the delivery medium. cs-live technology enables companies with a web presence to maximize the effectiveness of the Internet with applications that provide enhanced real-time communications over the web, including live chat and rich media. cs-live provides solutions for eLearning, eMarketing, sSupport and eSurveys, brings cs-live's customers' web sites to the next level with live and interactive customer management solutions.

The iGain platform employs an Application Service Provider (ASP) model to deliver cash rewards-based loyalty programs to its clients via both Cash Rewards and Merchant Partner application services. Clients may use the services independently or together to reward loyal customers. By modeling the relationships between clients, members, and incentive programs, iGain fully manages the distribution, tracking, and fulfillment of cash incentives. As an ASP, iGain leverages the power of the Internet to quickly and efficiently put clients' rewards programs to work. iGain loyalty programs are agile and can be launched in less than two weeks. B2B and B2C services are provided utilizing standard protocols over the Internet.

Business Strategy

Our strategic objective is to continue to grow our business by acquiring companies with technologies that support our core business and provide tools for Internet navigation, shopping and trading convenience. The key elements of our strategy are to:

- continue to maximize opportunities with our existing businesses;

- seek strategic acquisitions of synergistic companies with technologies that support our strategy and improve shareholder value;

- acquire additional e-commerce companies and layer in our managerial expertise to expand our existing customer base and maximize profits; and

- build upon our current infrastructure to provide technology and services that enhance the Internet shopping experience.

Intellectual Property Rights

Our success depends upon our ability to protect our proprietary technology and operate without infringing on the proprietary rights of others. We expect to rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect the proprietary aspects of our technology. However, we do not currently hold any patents or copyrights. We hold a trademark on our Fileshooter logo and have applied for, but have not yet received, trademarks on several other tradenames we use in our business. We also own the trademark names for cs-live, iGain, WizardWorld (online use only) and Youtopia. We have patents and several pending applications. We will seek to protect the source code for our software, documentation and other written materials through trade secret and copyright laws. These legal protections provide us limited protection. Policing unauthorized use of our technology is difficult, and we may be unable to determine whether piracy of our software technology has occurred. A substantial amount of uncertainty exists concerning the application of copyright laws to the Internet, and there can be no assurance that existing laws will provide adequate protection for our original content. In addition, because copyright laws do not prohibit independent development of similar content, there can be no assurance that copyright laws will provide any competitive advantage to us. The laws of some foreign countries do not protect proprietary rights as fully as the laws of the United States. The steps we have taken to protect our proprietary rights, however, may not be adequate to deter misappropriation of all proprietary information.

Despite our efforts to protect our proprietary rights and other intellectual property, unauthorized parties may attempt to copy aspects of our technology, obtain and use information that we regard as proprietary or misappropriate our copyrights, trademarks, trade dress or similar proprietary rights. We cannot be sure that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology or duplicate our products or design around our intellectual property rights. In addition, the validity, enforceability and scope of protection of intellectual property in Internet-related industries is uncertain and still evolving.

We also license certain third party technology that we incorporate into our products. To our knowledge, we are not infringing any proprietary rights of third parties. However, we cannot be sure that third parties will not claim that we are. We expect that software developers will increasingly be subject to infringement claims as the number of products and competitors in our markets grows. Any claims, with or without merit, could be time-consuming for us to defend, result in costly litigation, divert our management's attention and resources, cause product development delays or require us to enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all. If a successful claim of product infringement were brought against us and we were unable to either license the infringed or similar technology or develop alternative technology on a timely basis, our business prospects are likely to be materially adversely affected.

Sales and Marketing

We have approximately 150 independent sale persons across China who report to our Beijing office who perform various sales and marketing functions for our new marketing efforts in Asia. See "Employees." Our marketing strategy includes the following elements:

o promote our 800America Network and our various brands;

o develop niche marketing programs to attract buyers and sellers to our web-based trading community; and

- develop technology companies to grow their business.

Competition

Competition in the on-line shopping industry is intense, with numerous companies competing in what is currently a highly fragmented industry. Almost all of the major national retailers have established their own web sites and are experiencing mixed results in this segment of their business. Several companies have emerged with on-line shopping portals similar to ours. Many of these companies have spent millions of dollars in advertising and marketing in an attempt to carve out a niche and establish their brand names in this highly competitive market. Few of these competitors are currently operating profitably since they expend large amounts of money for advertising in order to establish their market identities. As a result, the advertising market is becoming saturated with numerous on-line merchants, creating confusion among consumers. It is becoming more difficult for each company to differentiate its products and services from those of its rivals. We are aware that several new companies have begun to offer on-line shopping portals with a customer rebate feature. This particular niche of the on-line shopping industry is highly fragmented and there are virtually no barriers to entry into this market. We expect on-line shopping sites to proliferate. In order to compete successfully companies will have to offer more services and promotions to their customers. 800America has limited resources. As a result, it will be difficult for us to compete with these large national organizations whose financial strength is significantly greater than ours. We may not be able to compete effectively with these larger organizations. We may not be able to continue to operate profitably in the on-line shopping mall business.

The online surplus trading community is a new, rapidly evolving market. We expect competition to intensify in the future as the barriers to entry are relatively low, and current and new competitors can launch new sites at a minimal cost using commercially available software. Depending on the product category, we compete with a number of companies serving particular categories of goods as well as those serving broader ranges of goods.

Our Fileshooter software product competes directly with all peer-to-peer software products. We believe our product has certain competitive advantages over our current competition, but we expect competition to intensify in the future as peer-to-peer computing becomes increasingly popular in both the corporate and personal markets.

Employees

As of January 11, 2002, we had 49 employees, including 47 full time employees and 2 additional part-time employees. We may hire additional employees in 2002, both full time and part time, if our level of operations requires an increase in our work force. In addition, our Beijing office where we have over

150 independent sales persons performing various sales and marketing functions. We opened this office after acquiring Ebiz4biz.com in February 2001.

Property

We do not own any real property. Our corporate offices are located in Nashville, Tennessee where we lease an aggregate of approximately 2,000 square feet of space at two different sites. One site has a lease that provides for a monthly rental of $891 per month and increases 7 1/2% per year over the remaining term of the lease, which expires in December 2002. We rent the second site, without a written lease, for a monthly rental of $650.

We maintain a sales office located in New York, New York where we lease an aggregate of approximately 1,300 square feet of space. The lease provides for a monthly rental of approximately $3,460 per month and continues until June 2005.

Ebiz4biz.com and the cs-live operations have offices in Ottawa, Canada where the rent, is CDN $26,481 per year for a period of three years and Ebiz4biz has an office in Beijing, China where the rent, without a written lease, is $1,000 per month. The iGain subsidiary leases approximately 1,261 square feet in Fairfield, CT for approximately $1,576 per month for a one-year term ending December 2002.

Legal Proceedings

In the normal course of our business, we are involved in various legal matters. We do not believe that any legal matter that we are currently involved with would have a material adverse effect on our business or financial condition should the matter not be decided in our favor.

Corporate History

We were incorporated in Nevada on December 5, 1996, under the name Sport Fair Television Inc. Our plan at that time was to create and promote sports goods shows for home shopping networks transmitted via satellite or cable television. These plans did not come to fruition. On December 31, 1997, we acquired from Elizabeth Peters all the issued and outstanding common stock of Songs of the Planet Inc. in exchange for 200,000 shares of common stock. Songs of the Planet was organized in August 1997 and changed its name to World House Entertainment. At the time of the acquisition, it had limited operations. These operations primarily consisted of providing copyright administrative services to affiliates of Mrs. Peters. World House Entertainment conducted no business operations. After the acquisition Elizabeth Peters became the company's sole employee.

In July 1999, World House Entertainment issued 10,000,000 shares of restricted common stock to acquire all of the issued and outstanding common stock of 800America, Inc. a Delaware corporation based in Nashville, Tennessee. 800America, Inc. was incorporated on March 26, 1999 for the purpose of operating an Internet shopping mall and an online magazine. 800America, Inc. was merged into the company and the company as part of the merger, changed its name to 800America.com Inc. At the same time, the company sold its wholly owned subsidiaries, World House Entertainment and Songs of the Planet, to its former owner, Elizabeth Ann Peters.

MANAGEMENT

Board of Directors, Executive Officers and Significant Employees

Name	Age	Position
David E. Rabi	62	President, Treasurer and Director
Jacques Pate, Jr.	47	Chief Operating Officer
Bobby Walley	61	Secretary and Director
Darvin D. Pierce	59	Director
Significant Employees		
Jerry Kavoun	47	Vice President-Chief Marketing Officer
Vincent Ren	43	Chief Technology Officer

Our directors are elected each year at the annual meeting of shareholders for a term of one year. Each director serves until the expiration of his term and thereafter until his successor is duly elected and qualified. Our by-laws provide that the number of directors constituting the board of directors may be increased by action of the board of directors, which may also fill vacancies on the board of directors. The current board of directors will continue to serve as directors until the next annual meeting of our shareholders. At this time, there are no committees of the board of directors.

Our executive officers are appointed by the Board of Directors on an annual basis.

Management

David E. Rabi has been a director since February 1997, and he has served as our President since July 9, 1999, except for an approximate 3 week period in September 2001. As President, Mr. Rabi was instrumental in leading the company to profitability. He had general management responsibility for all 800America businesses including marketing of the on-line shopping site, and publishing of the on-line Internet Web Guide Magazine. Mr. Rabi has extensive experience forming and running large complex international organizations and served as a financial and marketing consultant to various international companies in Africa and South America. From 1977 to 1990, he served as President and CEO of the Carmel Group, a multinational, privately-held corporation based in South America, with 14 international offices, sales of approximately $1.5 billion and over 6,800 employees. Mr. Rabi was instrumental in the sale of the company. His accomplishments are far reaching and are reflected throughout 800America's structure and culture. Mr. Rabi has a Bachelors Degree in Business Administration and a Masters Degree in Economics and Finance from the Sorbonne University in France.

Jacque Pate, Jr. has been employed by us since February 1997. From 1979 to February 1997, he served as President of Jupate, Inc., a construction company. He devotes approximately 80% of his business time to the affairs of the Company. Mr. Pate holds a B.S. in Business Administration from Birmingham Southern College and a B.S. in Building Construction from Auburn University.

Bobby Walley has been a director since February 1997, and he has served as our Secretary since August 2000 and as our President for an approximate 3 week period in September 2001. Mr. Walley owned a forestry consulting firm, Walley Consulting Co., in Hattiesburg, Mississippi for approximately 10 years prior to its sale in 1998. Since then he has been an independent consultant. Mr. Walley holds a Bachelors Degree in Business Administration, a Masters Degree in Forestry and an AAA Degree (similar to a Ph.D.) in Forestry from Mississippi State University.

Darvin D. Pierce has been a director since February 1997. Mr. Pierce has more than 20 years experience working in the investment community. Currently, he is the co-manager of several mutual bank loan funds and since 1990 has held a senior executive position for Van Kampen Funds of Oakbrook Terrace, Illinois. In this capacity, Mr. Pierce is the Chief Analyst for $13.2 billion bank originated secured corporate loans, and is responsible for all analytic work, "due diligence" and monitoring of the portfolio; he manages 10 professional and eight clerical and accounting personnel and is responsible for the day-to-day administration, as well as the establishment and maintenance of working relationships with a number of the Syndication Desks/Personnel at major lending institutions in the United States. From 1986 to 1990 he was Senior Vice President, Chief Lending Officer, Australia and New Zealand Bank, New York, New York. From 1980 to 1986, he was the Vice President, Senior Lending Officer of the National Bank of Canada, Chicago, Illinois. Mr. Pierce has a Bachelor of Science in Finance and Economics and a Masters in Business Administration from Northwestern University.

Significant Employees

Jerry Kavoun has held his position since November 2001. Mr. Kavoun joined us after we purchased substantially all of cs-live's assets in October 2001. He was a Vice President, General Manager and a founder of cs-live, inc. where he worked from June 2000. From September 1999 until June 2000, he worked at Atmos Corp., a SVP business development company, in which he was a founder. From September 1996 to September 1999, he worked at ChipWorld, Inc. (patent litigation support for semiconductor licensing) where he was Director, Business Development. He holds an EEE, Semiconductor Physics from Riga Polytechnical University.

Vincent Ren has held his position since February 2001. Prior to that time he was the President, Chief Technology Officer and a Director of ebiz4Biz.com, Inc. since July 1999. We purchased ebiz4Biz in January 2001. From November 1997 until July 1999, he was a software designer for Nortel Networks. From August 1994 to November 1997, he was a software developer for Milkyways Networks Corporation. Mr. Ren holds a B.E. in Electrical Engineering from the Institute of Light Industrial Engineering, Beijing, China and an M.B.A. from the University of International Business & Economics, Beijing, China.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth, for the three years ended December 31, 2001, the compensation for services in all capacities earned by our Chief Executive Officer. There were no other officers or employees whose total annual salary, bonus and other annual compensation exceeded $ 100,000 in Fiscal 2001. As of January 16, 2002, yearly bonuses for 2001 had not been determined.

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Securiti Underlyi Optio
David E. Rabi	2001	$200,000	--	-
President	2000	$120,000	--	1,000,0
	1999	120,000	--	250,0
Bobby Walley President for approximately 3 weeks	2001	-0-	--	-

The following table sets forth information concerning grants of stock options to purchase shares of our Common Stock during the year ended December 31, 2001 to our President.

OPTION GRANTS IN LAST FISCAL YEAR

	Individual Grants			P V A P O
Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees In Fiscal 2000 (%)	Exercise Price Per Share ($)	
David E. Rabi	-0-	-0-	-0-	
Bobby Walley	-0-	-0-	-0-	

The following table sets forth information with respect to stock options exercised by our President during the fiscal year ended December 31, 2001 and stock options he held as of December 31, 2001.

AGGREGATED OPTION/SAR EXERCISES IN LAST YEAR AND YEAR-END OPTION/SAR VALUES

Name	Number of Securities Underlying Options/SARs Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Options/SARs at Fiscal Y/E (#) Exercisable/Unexercisable	Value of Un the-Money O at Fiscal Y Exercisable Unexercisab
David E. Rabi	--	--	1,000,000/0	$2,500,000/

Employment Agreements and Change in Control Arrangements

Rothman Employment Agreement

We are party to an Employment Agreement with Jane Rothman effective as of March 15, 2000, providing for the employment of Ms. Rothman as manager of the prior business of Rothman Closeouts.com, Inc. as a separate division of 800America. This agreement provides for a term of employment until March 15, 2003, subject to removal with or without cause under certain circumstances. If terminated without cause, Ms. Rothman shall be entitled to the salary due and owing up until March 15, 2003. The agreement provides for an initial salary of S40,000 per year, subject to a good faith review every six months during the term of the agreement, the reimbursement of reasonable pocket expenses, and the entitlement to receive the fringe benefits on terms provided to the executive staff. Under the agreement, Ms. Rothman received a bonus of $50,000 as an inducement to enter into the employment agreement. Ms. Rothman's current annual salary is $60,000. The agreement contains conflicts of interest provisions effective during the term of her employment. The agreement also contains a covenant not to compete that survives until March 2003.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our Common Stock as of December 31, 2001:

- each person known by us to own beneficially more than 5% of our Common Stock;
- each of our directors;
- each of our five most highly compensated officers who earned more than $ 100,000 in our last fiscal year; and
- all directors and executive officers as a group.

The percentage of beneficial ownership for the table is based on 17,736,627 shares of Common Stock outstanding on January 11, 2002.

Unless otherwise indicated below, to our knowledge, all persons and entities listed below have sole voting and investment power over their shares of Common Stock, except to the extent that individuals share authority with spouses under applicable law. Unless otherwise indicated, each entity or person listed below maintains a mailing address of c/o 800America.com, Inc. 1929 S. 21st Avenue, Nashville, Tennessee 37212.

The number of shares of Common Stock beneficially owned by each shareholder is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of Common Stock over which the shareholder exercises sole or shared voting or investment power.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percentage Ownership Before Offering(1)
David E. Rabi	10,308,000(2)	55.0%
Jacques Pate	180,000(3)	*
Lazard Freres & Co. 30 Rockerfeller Plaza 61st Floor New York, NY 10020	1,933,550	9.1%
Darvin Pierce	60,000(4)	*
Bobby Walley	65,000(5)	*
All Executive Officers and Directors as a group (4 persons)	10,613,000(6)	56%

* Less than one percent.

(1) Based on a total of 17,736,627 shares of Common Stock outstanding as of January 11, 2002. This amount excludes the conversion of any other convertible securities. Excludes all of our Common Stock equivalents, including stock options, warrants and restricted stock and excludes approximately 1,866,450 shares to be issued.

(2) Includes 9,308,000 shares of Common Stock held by American Deductible, Inc., as trustee of a trust established for the benefit of the children of Mr. Rabi. Mr. Rabi does not act as trustee of the trust but has a power of attorney to act on behalf of said trust and may be deemed to have direct voting control of the Common Stock held in the trust. Also includes options to purchase 1,000,000 shares of Common Stock.

(3) Includes options to purchase 80,000 shares of Common Stock.

(4) Includes options to purchase 35,000 shares of Common Stock.

(5) Includes options to purchase 40,000 shares of Common Stock.

(6) Includes options to purchase 1,155,000 shares of Common Stock.

SELLING SECURITY HOLDERS

The table below sets forth information concerning the sale of shares of Common Stock by the Selling Security Holders. We will receive a portion of the proceeds from the resale of the common stock by Intelligent Web Technologies and RXS, Inc.

When we purchased the assets of Intelligent Web Technologies, Inc., we advanced funds to certain of their creditors in order to be able to take the assets free and clear of any liens or encumbrances. The total amount of the advances is approximately $325,000. Likewise, when we purchased assets from RXS, Inc., we had to pay a lienholder (a bank) to take the assets free and clear. The amount we paid to remove the lien was approximately $110,000. RXS, Inc. agreed to reimburse us for this amount.

The following table also sets forth the name of each person who is offering shares of common stock by this prospectus, the number of shares of common stock beneficially owned by each person, the number of shares of common stock that may be sold in this offering and the number of shares of common stock each person will own after the offering, assuming they sell all of the shares offered. Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Common shares that are issuable upon the exercise of outstanding options, warrants, convertible Preferred Stock or other purchase rights, to the extent exercisable within 60 days of the date of this Prospectus, are treated as outstanding for purposes of computing each Selling Security Holder's percentage ownership of outstanding common shares.

Selling Security Holder(1)	Shares Beneficially Owned Prior to the Offering	Shares Offered For Sale (2)	Sha Owne I Sha
Name	Number of Shares	Percentage	Nu
Aliza Gold	27,500	27,500	
Joel Gold	247,500	137,500	
Leah Gold	37,500	41,250	
Rochelle Gold Genack	27,500	27,500	
Tanya Gold	41,250	41,250	
Marin Molinsky	55,000	55,000	
Linda Neuman	27,500	27,500	
Victor Molinsky	16,500	16,500	
Carole and Robert Juranek	27,500	27,500	
EH&P Investments	27,500	27,500	
Bryan Simmons, Jr.	27,500	27,500	
The Equity Group Profit Sharing Plan & Trust	110,000	110,000	
Sam and Tova Wielschner	8,250	8,250	
Alice C. Tate Roth IRA	27,500	27,500	
Isacc J. Buchen and Gail B. Buchen	13,750	13,750	
Allen Conkling	5,500	5,500	
Evan Genack	82,500	82,500	
Schneur Genack and Rachella Genack	27,500	27,500	
Intelligent Web Technologies, Inc.	450,000	80,000	

RXS, Inc.	500,000	150,000

(1) Except as described below, no Security Holders have held any position or office, or has had any material relationship with us or any of our affiliates within the past three years. Mr. Jerry Kavoun, our Vice President-Chief Marketing Officer, was a founder of Intelligent Web Technologies, Inc. Ms. Randi Schinler is a consultant for us and she is the Chief Executive Officer and a shareholder of RXS, Inc.

(2) Assumes no sales are affected by the Security Holders during the offering period other than pursuant to this offering and that all shares offered will be issued and sold.

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PLAN OF DISTRIBUTION

The Selling Security Holders and any of their pledges, assignees, and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market, or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. There is no assurance that the Selling Security Holders will sell any or all of the Common Stock in this offering. The Selling Security Holders may use any one or more of the following methods when selling shares:

o Ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers.

o Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction.

o Purchases by a broker-dealer as principal and resale by the broker-dealer for its own account.

o An exchange distribution following the rules of the applicable exchange.

o Privately negotiated transactions.

o Short sales or sales of shares not previously owned by the seller

o Broker-dealers may agree with the Selling Security Holders to sell a specified number of such shares at a stipulated price per share.

o A combination of any such methods of sale or any other lawful method.

o The Selling Security Holders may also engage in:

o Short selling against the box, which is making a short sale when the seller already owns the shares.

o Buying puts, which is a contract whereby the person buying the contract may sell shares at a specified price by a specified date.

o Selling under Rule 144 under the Securities Act, if available which it is currently not, rather than under this Prospectus.

o Other transactions in our securities or in derivatives of our securities and the subsequent sale or delivery of shares by the shareholder.

- Pledging shares to their brokers under the margin provisions of customer agreements. If a selling Security Holder defaults on a margin loan, the broker may, from time to time, offer to sell the pledged shares.

Broker-dealers engaged by the Selling Security Holders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from Selling Security Holders in amounts to be negotiated. If any broker-dealer acts as agent for the purchaser of shares, the broker-dealer may receive commission from the purchaser in amounts to be negotiated. The Selling Security Holders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The Selling Security Holders and any broker-dealers or agents that are involved in selling the shares may be considered to be "underwriters" within the meaning of the Securities Act for such sales. An underwriter is a person who has purchased shares from an issuer with a view towards distributing the shares to the public. in such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be considered to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares in this offering. However, we will not pay any commissions or any other fees in connection with the resale of the common stock in this offering. We have agreed to indemnify the Selling Security Holders and their officers, directors, employees and agents, and each person who controls any Selling Security Holder, in certain circumstances against certain liabilities, including liabilities arising under the Securities Act. Each Selling Security Holder has agreed to indemnify the Company and its directors and officers in certain circumstances against certain liabilities, including liabilities arising under the Securities Act.

If we are notified by the Selling Security Holder that they have a material arrangement with a broker-dealer for the resale of the common stock, then we would be required to amend the registration statement of which this prospectus is a part, and file a prospectus supplement to describe the agreements between the Selling Security Holder and the broker-dealer.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On July 9, 1999, 800America, Inc., a Delaware corporation, was merged into 800America.com, Inc. As part of the Agreement and Plan of Merger, we issued 10,000,000 shares of our Common Stock to the three shareholders of 800America, Inc. We also changed the name of the company to 800America.com, Inc. Of the restricted shares of Common Stock issued pursuant to the merger, 9,358,000 shares of Common Stock were issued to American Deductible, Inc. American Deductible, Inc. is a trust established for the benefit of the children of Mr. Rabi, our President and a director of 800America and the former president and controlling shareholder of 800America, Inc. Mr. Rabi does not act as trustee of the trust but holds a power of attorney on behalf of the trust and may be deemed to hold direct voting control of such shares.

In February 2000, we issued to David E. Rabi a total of 1,000,000 stock options under our Stock Option Plan. In April 2000, we issued to Jane Rothman a total of 200,000 shares of Common Stock in connection with the acquisition of Rothmancloseouts.com. She may sell 60,000 shares at June 2001, 60,000 shares at June 2002 and 80,000 shares at June 2003. In September 2000, we issued to Ms. Rothman a total of 50,000 stock options under our Stock Option Plan.

In August 2001, we purchased all of the capital stock of Universal Payment Systems, Inc. from our President, Mr. David E. Rabi. The purchase price was $1.00.

SHARES ELIGIBLE FOR FUTURE SALE

General

We have outstanding 17,736,627 shares of our Common Stock, at January 11, 2002. Of these shares, approximately 3,000,000 shares of Common Stock are freely tradable in the public market without restriction under the Securities Act, unless these shares are held by our "affiliates," as that term is defined in Rule 144 under the Securities Act.

The remaining 14,733,821 shares of our Common Stock are "restricted shares". We issued and sold these restricted shares in private transactions in reliance on exemptions from registration under the Securities Act. Restricted shares may be sold in the public market only if they are registered or if they qualify for an exemption from registration under the Securities Act.

Stock Option Plan

Our Board of Directors adopted, and our shareholders approved, our Stock Option Plan, on November 15, 1999 and November 24, 1999, respectively. The purpose of the Stock Option Plan is to attract and retain directors, officers, other employees and consultants of 800America and its subsidiaries and to provide such persons with incentives to continue in the long-term service of 800America and its subsidiaries and to create a more direct interest in the future success of the operations of 800America by relating incentive compensation to increases in shareholder value. The Stock Option Plan is divided into three separate programs:

- The Discretionary Stock Option Grant Program under which eligible persons may, at the discretion of the Committee or the Board, be granted Stock Options.

- o The Restricted Stock Program under which eligible persons may, at the discretion of the Committee or the Board, be granted rights to receive shares of Common Stock, subject to certain restrictions; and

- o The Supplemental Bonus Program under which eligible persons may, at the discretion of the Committee or the Board, be granted a right to receive payment, in cash, shares of Common Stock, or a combination thereof, of a specified amount.

Persons eligible to participate in the Stock Option Plan include employees of 800America or a subsidiary, members of the board, and consultants and other independent advisors who provide services to 800America or a subsidiary. The Stock Option Plan is administered by the Board of Directors. The initial aggregate number of shares of Common Stock that may be issued under the plan is 2,000,000, which increases annually based on the number of outstanding shares of Common Stock. Management expects to propose an increase in the number of shares that may be issued under the plan.

Upon an acquisition, shareholder-approved merger or consolidation, a change in a majority of the members of the board, or the sale, transfer or other disposition of all or substantially all of the assets of 800America, all outstanding stock options, restricted stock and supplemental bonuses shall become immediately exercisable. Upon a change of control (as defined in the Stock Option Plan) of 800America, options become fully exercisable, and restrictions on restricted shares lapse. Our Board of Directors may amend or modify the plan at any time subject to any required shareholder approval. No such amendment or modification shall adversely affect the rights and obligations with regard to awards outstanding under the plan at the time of such amendment or modification, unless the participant consents to such amendment or modification. The plan will terminate upon the earliest of (i) ten (10) years after the effective date of the plan or (ii) the termination of all outstanding awards in connection with a change in control. Upon such plan termination, all outstanding awards shall thereafter continue to have force and effect in accordance with the provisions of the documents evidencing such awards.

As of January 11, 2002, we have granted a total of 2,420,000 stock options under the Stock Option Plan, primarily to the officers and directors and employees of 800America.

Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned restricted shares for at least one year would be entitled to sell in any three-month period up to the greater of:

- o 1% of the then-outstanding shares of our Common Stock; and

- o the average weekly trading volume of our Common Stock during the four calendar weeks preceding the filing of a Form 144 with respect to the sale.

Sales under Rule 144 are also subject to certain manner of sale and notice requirements and to the availability of current public information about us. As we are not current in our reports to the SEC, the use of Rule 144 is of limited use to our shareholders.

Rule 144(k)

Under Rule 144(k), a person who has not been one of our affiliates during the preceding 90 days and who has beneficially owned the restricted shares for at least two years is entitled to sell them without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701

In general, Rule 701 permits non-affiliates to sell their Rule 701 shares without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with the holding period provision of Rule 144.

DESCRIPTION OF CAPITAL STOCK

General

The following summary of certain provisions of our Common Stock and Preferred Stock does not purport to be complete and is subject to, and qualified in its entirety by, our Articles of Incorporation and by-laws.

We are authorized by our Amended and Restated Articles of Incorporation to issue an aggregate of 50,000,000 shares of Common Stock, par value $0.001 per share, and 5,000,000 shares of Preferred Stock, par value $0.001 per share, which preferred stock may be issued with the rights, designations and privileges, including redemption and voting rights, as our board of directors may, from time to time, determine. As of January 11, 2002, there were 17,736,627 shares of Common Stock and no shares of Preferred Stock issued and outstanding.

Common Stock

Each holder of Common Stock is entitled to one vote per share and, subject to the rights of the holders of any Preferred Stock we may issue in the future, to receive dividends when and as declared by our Board of Directors, and to share ratably in our assets legally available for distribution in the event of our liquidation, dissolution or winding up. Holders of our Common Stock do not have subscription, redemption or conversion rights, nor do they have any preemptive rights. In the event we were to elect to sell additional shares of our Common Stock following this offering, investors in this offering would have no right to purchase these additional shares. As a result, their percentage equity interest in us would be diluted. Holders of the Common Stock do not have cumulative voting rights, which means that the holders of more than half of the outstanding shares of Common Stock can elect all of our directors, if they choose to do so. In this event, the holders of the remaining shares would not be able to elect any directors. Our Board of Directors is empowered to fill any vacancies on the Board of Directors. Except as otherwise required by Nevada law, all shareholder action is taken by vote of a majority of the outstanding shares of Common Stock voting as a single class present at a meeting of shareholders at which a quorum, consisting of a majority of the outstanding shares of our Common Stock, is present in person or by proxy.

Preferred Stock

We are authorized by our Amended and Restated Articles of Incorporation to issue a maximum of 5,000,000 shares of Preferred Stock, in one or more series and containing the rights, privileges and limitations, including voting rights, conversion privileges and/or redemption rights, as may, from time to time, be determined by our Board of Directors. Preferred Stock may be issued in the future in connection with acquisitions, financings or any other matters as the Board of Directors deems to be appropriate. The effect of the Preferred Stock is that our Board of Directors alone, within the bounds and subject to the federal securities laws and the Nevada General Corporation Law, may be able to authorize the issuance of Preferred Stock, which could have the effect of delaying, deferring or preventing a change in control of us without further action by the shareholders and may adversely affect the voting and other rights of holders of Common Stock. The issuance of Preferred Stock with voting and conversion rights may also adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others.

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Indemnification

Under the Nevada General Corporation Law, a director, officer, employee or agent of a Nevada corporation may be entitled to indemnification by the corporation under certain circumstances against expenses, judgements, fines and amounts paid in settlement of claims brought against them by a third person or by or in right of the corporation.

We are obligated under our Amended and Restated Articles of Incorporation to indemnify any of our present or former directors, officers, employees and agents of 800America, or anyone who is or was serving at the request of 800America as a director, officer, trustee, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. This indemnification applies to any of the foregoing persons who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding against expenses (including attorneys' fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Indemnification is available if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of 800America and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Our Amended and Restated Articles of Incorporation do not permit indemnification for any claim, issue or matter as to which such person has been adjudged by a court to be liable to 800America or for amounts paid in settlement to 800America, unless and only to the extent that the court or other court of competent jurisdiction determines upon application that, in view all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which the court deems proper. Our Amended and Restated Articles of Incorporation provide for indemnification against expenses, including attorneys' fees, actually and reasonably incurred by any covered person in his defense. 800America may also advance expenses consistent with the provisions of the applicable Nevada law.

The Nevada General Corporation Law, also permits a corporation to limit the personal liability of its officers and directors for monetary damages resulting from a breach of their fiduciary duty to the corporation and its shareholders. Our Amended and Restated Articles of Incorporation do not provide such a limitation.

Our Amended and Restated Articles of Incorporation and By-laws provide that indemnification is not exclusive of any other rights these persons may otherwise have under contract or by law. The indemnification will apply to the actions of these persons in their official or action in another capacity while holding office, except that indemnification, unless order by a court for actions by or in the right of 800America or for the advancement of expenses of any director or officer, may not be made to or on behalf of any officer or director if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action. This indemnification will also continue as to a person who has ceased to be a director, officer, employee or agent, and the benefit of the indemnification will pass to that person's heirs, executors and administrators.

Transfer Agent

The transfer agent and registrar for our Common Stock is Interwest Transfer Company, Inc.

EXPERTS

The consolidated financial statements of 800America.com, Inc. at December 31, 2000 and 1999 appearing in this Prospectus have been audited by Jack F. Burke, Jr., CPA, independent auditor as set forth in the report thereon, appearing elsewhere in this Prospectus and are in reliance upon such report given upon the authority of such auditors as experts in accounting and auditing.

LEGAL MATTERS

Legal matters concerning the issuance of shares of common stock offered in this Prospectus will be passed upon by John L. Thomas, Esquire, Moorestown, New Jersey. Mr. Thomas beneficially owns options to purchase 50,000 shares of the Company's Common Stock.

OTHER AVAILABLE INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act of 1933 Act with the Commission in connection with the securities offered by this Prospectus. This Prospectus does not contain all of the information that is in the registration statement, you may inspect without charge, and copy our filings, at the public reference room maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of this material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

Information about the public reference room is available from the Commission by calling 1-800-SEC-0330.

The Commission maintains a web site on the Internet that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission. The address of the site is www.sec.gov. Visitors to the site may access such information by searching the EDGAR archives on this web site.

You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with any information that is different.

The Selling Security Holders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where such offers and sales are permitted.

The information contained in this Prospectus is accurate only as of the date of this Prospectus.

FINANCIAL STATEMENTS

Our Financial Statements begin on Page F-1.

INDEX TO FINANCIAL STATEMENTS

800America.com, Inc.

Consolidated Financial Statements

December 31, 2000

800America.com, Inc.

Condensed Consolidated Financial Statements

For Nine Months Ended September 30, 2001

Jack F. Burke, Jr.
Certified Public Accountant
P. O. Box 15728
Hattiesburg, Mississippi 39404

Independent Auditors' Report
Board of Directors and Stockholders

I have audited the accompanying balance sheet of 800America. Com, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements present fairly, in all material respects, the financial position of 800America. Com, Inc. as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles.

Sincerely,

Jack F. Burke, Jr. February 21, 2001

800America. Com, Inc.
Balance Sheet
December 31

Assets	2000

Current Assets		
Cash	$ 2,117,746	$
Accounts Receivable	995,634	
Allowance for Doubtful Accounts	(139,000)	
Prepaid Advertising	75,000	
Deposit on Equipment	0	
Advances	47,749	
Deferred Tax Asset	47,260	
	-----------	---
Total Currents	3,144,389	1
	===========	===
Property and Equipment		
Equipment	743,831	
Software	887,150	
Auto	20,738	
	-----------	---
Accumulated Depreciation	(567,832)	
Net Property and Equipment	1,083,887	
	-----------	---
Other Assets		
Intangible Assets,	193,333	
	-----------	---
Total Other Assets	193,333	
	-----------	---
Total Assets	4,421,609	1
	===========	===

Liabilities and Stockholders' Equity

Current Liabilities		
Accounts Payable - Trade	24,946	
Rebates Payable	0	
Income Tax Payable	386,872	
	-----------	---
Total Current Liabilities	411,818	
	===========	===
Stockholder's Equity		
Preferred Stock $0.001 Par Value		
5,000,000 Shares Authorized 0 Issued	0	
Common Stock $0.001 Par Value		
50,000,000 shares Authorized At $0.001 Par Value		
13,412,000 Shares December 31, 2000,		
12,250,000 Shares December 31, 1999,		
Issued and Outstanding		
Additional Paid in Capital	13,412	
Retained Earnings (Deficit)	1,943,134	
	2,053,245	
	-----------	---
Total Stockholders' Equity		
	4,009,791	

Total Liabilities and Stockholders Equity	$ 4,421,609	$ 1

The Accompanying "Notes to Financial Statements"
Are An Integral Part of These Financial Statements

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Income Statement
For Years Ended December 31

	2000	1999	
Revenues	$15,980,529	$ 3,283,575	$
Cost and Expenses			
Advertising	1,878,318	397,738	
Rebates	8,913,351	2,135,668	
Bad Debts	270,795	66,000	
Depreciation and Amortization	486,480	88,019	
Consulting	313,204	--	
Other Operating Expense	1,004,481	320,980	
Total	12,866,629	3,008,405	
Operating Income (Loss)	3,113,900	275,170	
Other Income (Expense)			
Interest Income	26,243	5,810	
Interest Expense	--	--	
Total Other Income (Expense)	26,243	5,810	
Income (Loss) Before Income Tax	3,140,143	280,980	
Net Income (Loss)	1,067,649	95,533	
Basic Earnings Per Share Common Stock	$ 0.16	$ 0.03	$
Basic Weighted Average Common Shares Outstanding	12,721,359	6,243,132	
Diluted Earnings Per Share Common Common Stock	$ 0.14	$ 0.03	

Basic Weighted Average Common Shares	14,371,359	6,432,989

The Accompanying "Notes to Financial Statements"
Are An Integral Part of These Financial Statements

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800America. Com, Inc.
Changes in Stockholders' Equity
Years Ended December 31, 2000, 1999 and 1998

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Retai Earni
Balance December 31, 1997	700,000	$ 700	$ 9,464	$ (13
Services Contributed by Stockholder At Fair Value	--	--	12,000	
Office Space Contributed by Stockholder At Fair Value	--	--	6,000	
Deferred Offering Cost	--	--	(21,395)	
Net Loss From Year Ended December 31, 1998	--	--	--	(7
Balance December 31, 1998	700,000	$ 700	$ 6,069	$ (20
Sale of Common Stock At $2.50 per share pursuant to Initial Public Offering Net of Offering Cost March 31, 1999	80,000	80	198,713	
Services and Rental Space Contributed by Office	--	--	9,000	
Common Shares Issued Pursuant To Merger July 9, 1999	11,170,000	11,170	(11,170)	
Common Shares Sold July 9, 1999	300,000	300	499,700	
Additional Paid in Capital November 2, 1999	--	--	250,000	
Net Profit Year Ended December 31, 1999	--	--	--	18
Balance December 31, 1999	12,250,000	12,250	952,312	(1
Common Stock Sold January 14, 2000	250,000	250	249,750	
Common Stock Issued Pursuant To Purchase June 30, 2000	200,000	200	199,800	
Common Stock Issued For Services	12,000	12	11,988	
Common Stock Sold October 26, 2000	700,000	700	529,284	
Net Profit for Year Ended December 31, 2000	--	--	--	2,07
Balance December 31, 2000	13,412,000	$ 13,412	$ 1,943,134	$ 2,05

The Accompanying "Notes to Financial Statements"

Are An Integral Part of These Financial Statements

800America.Com, Inc.
Statement of Cash Flows
Years Ended December 31,

	2000	1999
Cash Flows From Operating Activities		
Net Income (Loss)	$ 2,072,494	$ 185,447
Adjustments to Reconcile Net Income		
To cash Provided (Used) by Operation		
Depreciation and Amortization	486,480	88,019
Stock Issued for Public Relations Expense	12,000	
Increase in Provision for Doubtful Accounts	73,000	66,000
Accounts Receivable (Increase)	(466,832)	(528,802)
Prepared Advertising (Increase) Decrease	46,000	(121,600)
Deferred Tax Asset (Increase)	(24,820)	(22,440)
Accounts Payable Increase (Decrease)	15,951	(18,248)
Rebates Payable Increase (Decrease)	(330,551)	330,551
Income Tax Payable Increase (Decrease)	268,899	117,973
Other Liabilities Increase (Decrease)	--	--
Net Cash Provided (Used) by Operations	2,153,221	96,899
Cash Flows From Investment Activities		
Deposit on Equipment Increase (Decrease)	94,000	(94,000)
Advances Increase (Decrease)	(47,749)	--
Equipment Purchase	(524,523)	(222,747)
Software Purchases	(729,751)	(157,399)
Net Cash (Used) By Investment Activity	2,153,221	96,899
Cash Flows From Financing Activities		
Notes Payable Increase (Decrease)	--	(157,500)
Other Liability Increase (Decrease)	--	(31,059)
Sale of Previously Unissued Common Stock	779,984	957,793
Net Process from Notes Payable	--	--
Net Cash Provided by Financing Activity	779,984	769,234
Net Cash Increase (Decrease)	1,725,182	391,987
Beginning Cash Balance	392,564	577
Ending Cash Balance	2,117,746	392,564

The Accompanying "Notes to Financial Statements"
Are An Integral Part of These Financial Statements

Notes to Financial Statements

Note 1 - Business and Significant Accounting Policies

Nature of Operations - 800America. Com, Inc. (A Nevada Corporation) is a diversified Internet Company located in Nashville, TN. The Company owns and operates ten web sites in different fields. Among them is a shopping portal for over 305 nationally known stores, Rothmancloseouts.com a global site where buyers and sellers match their surplus merchandise, recently affiliated with Chinese markets, Steeplehouse.com an auction house of fine art, Inde4U.com for the independent artist, Fileshooter.com is one of the best software for transferring data and messages on the Internet bypassing providers, 21st Ave. Productions, which designs and builds web sites and BtoB sites and Internet Web Guide Magazine, a widely read magazine online with readership around the world. All sites are automated with all transactions handled by computers.

Cash and Cash Equivalents - The Company's cash consist of unrestricted checking and saving accounts. The Company does not have any cash equivalents.

Accounts Receivable - Allowance for Doubtful Account - The Company has established an allowance for doubtful accounts that its management indicates is reasonable.

Property, Plant and Equipment - Property, plant and equipment is recorded at cost. Maintenance and repairs expenditures are charged to expense when incurred. The accelerated method of depreciation is used with equipment over a useful life of five years and straight line depreciation over three years is used for software purchased.

Intangibles - Goodwill, trademarks and other intangibles arising from acquisition are being amortized over fifteen years.

Revenue Recognition - The Company recognizes revenues when a transaction is completed on one of its web sites and a commission to the Company is generated.

Advertising Expense - Advertising cost is expensed in the year the advertising takes place. Prepaid advertising is recognized when such services have been paid for but not yet used at the end of the period.

Income Taxes - Deferred income taxes result from temporary differences between financial and tax reporting. A net operation loss from a pre-merger year was not allowed against taxable income.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Other Comprehensive Income - There are no attributes of other comprehensive income. Net income and other comprehensive income are the same.

Restatement of Prior Year - The statements ending December 31, 1999 were restated to reflect a deferred tax asset of $22,400 due to a temporary timing difference in the balance sheet with a reduction of the same amount in the statement of income. The adjustment did not change earnings per share as originally presented.

Note 2 - Acquisitions

Merger With 800 America Inc. - The Company's merger consummated at July 7, 1999 qualified as a tax free reorganization and was accounted for as a pooling of interest. World House Entertainment, Inc. was not a significant component of the merger. 800 America Inc. was merged into the Company and its name was changed to 800America. Com, Inc.. Ten million (10,000,000) shares of common stock were issued to 800 America Inc. stockholders and one million nine hundred fifty thousand (1,950,000) shares were issued to World House Entertainment, Inc. shareholders. Pursuant to the agreement the former shareholders of World House Entertainment, Inc. then purchased 300,000 shares of stock for $500,000.

Purchase of Rothman Closeouts - The Company acquired Rothman Closeouts, an Internet sales site and accounted for the transaction as a purchase. The Company issued 200,000 shares at a value of $200,000 in the transaction. Income from Rothman has been included in income from June 26, 2000. Assets acquired were intangible assets including a web site and customer base, which will be amortized over fifteen years.

Note 3 - Financial Instruments

Fair Value - The carrying value of cash accounts receivable, accounts payable, and customer rebates approximates fair value.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to credit risk include cash on deposit at a financial institution in the amount of $2,117,746 and $392,564 at December 31, 2000 and 1999 respectively, which is Federally Insured up to $100,000. The Company has extended unsecured credit to regular customers of $995,634 December 31, 2000 and $528,802 at December 31, 1999. The Company has additionally established an allowance for doubtful accounts of $139,000 against its receivables. The Company does not require collateral to support financial instruments subject to credit risk. The Company directly wrote off $197,795 of accounts during the year.

Note 4 - Related Party Transactions

The Company, 800 America Inc., acquired its beginning operations from a related company Internet Web Guide, Inc. Internet Web Guide, Inc. developed the web site and collected income from subscribers and from stores. 800 America, Inc. and Internet Web Guide, Inc. agreed that Internet Web Guide, Inc. cost for developing the business was equal to income collected of $127,000. The purchase price was allocated as follows:

Equipment	$ 70,000
Fixtures	10,000
Web Site	10,000
Subscriber Base	37,000
Total	$127,000

Compensation paid majority Stockholder and Chief Operating Officer was $75,000 and $85,000 for the years ended December 31, 2000 and 1999 respectively. Additional services contributed by stockholders' were $6,000 and $18,000 for the year ended December 31, 1999 and 1998 respectively.

Note 5 - Supplemental Cash Flow Information

For years ended	12/31/2000	12/31/1999	12/31/1998
Interest Paid	0	0	$17,160
Income Tax Paid	$856,305	0	0

Note 6 - Non Cash Transaction

Services Contributed by Stockholder	--	--	$12,000
Office Space contributed (Fair Value)	0	$6,000	$ 6,000
200,000 shares Common Stock was issued for the purchase of Rothman Closeouts	$200,000	--	--
12,000 shares Common "Stock was issued for Public Relations Services	$ 12,000	--	--

Note 7 - Stock Option Plan

The Company started a stock option plan (the Plan) which provides for the granting of incentive stock options to all full time employees as well as non qualified options to non employee directors and consultants. The Plan is designed so that options under the Plan are granted at 100% of Fair Market Value at date of grant date. The average price of the shares under options is $1.75 per share. The following summarize the options granted exercised and outstanding:

December 31	2000	1999	1998
Options outstanding Beginning of year	1,650,000	0	0
Granted	0	1,650,000	0
Exercised	0	0	0
Options outstanding End of year	1,650,000	1,650,000	0

No compensation results from the grant.

Note 8 - Income Tax

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS109) is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future consequences, SFAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates .

The deferred tax asset account resulted from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax. The components of the net deferred income tax asset are as follows:

	2000	1999
Provisions for Doubtful Accounts	$24,820	$22,440

Income Taxes are:

	2000	1999	1998
Current Tax Expenses	$ 1,092,469	$ 117,973	$ 0
Deferred Tax Benefit	(24,820)	(22,400)	0
Provision for Income Tax	$ 1,067,649	95,573	$ 0

The provision for income taxes and the reconciliation between federal income taxes at the statutory effective rates are as follows:

	2000 Amount	%	1999 Amount	%
Federal Income Tax at Statutory Rate	$1,067,649	34.0	$95,533	34.0
Non Deductible Net Operating Loss From Merger				
Provisions for Income Taxes	$1,067,649	34.0	$95,533	34.0

Operating Leases - Lease expense for the year ended December 31, 2000 was $25,465 and for the year ended December 31, 1999 was $17,500. The Company leased facilities at 1301 Mt. Juliet Road for $698 per month and increasing 7 1/2% in each of the next two years. The Company has leased additional facilities at 1929 21st Street, Nashville on a month to month lease at $650 per month. The Mt. Juliet lease expires at December 2002.

	1301 Mt Juliet Road Mt Juliet, TN
1st Year	$ 9,576
2nd	$10,294

The Company also leases a T3 line from Bell South for $11,275 per month. The lease expires May 2002.

1st Year 2001	$ 135,300
2nd Year 2002	$ 56,375

Note 9 - Agreement to Acquire Subsidiaries
Legal Matters

The Company agreed on October 27, 2000 to acquire Inshop.com, Inc.("InShop") (A Delaware Corporation). The Company agreed to issue 1,817,943 shares of its previously unissued stock in the purchase. The transaction to take place in early 2001.

The proforma results of the acquisition are as follows:

	800America.com, Inc.	Inshop.com, Inc.	Combined
Current Assets	$3,144,389	$ 0	$3,144,389
Property and Equipment Net of Accumulation Depreciation	1,083,887	373,455	1,45,342
Intangible Assets			

Net	199,333	1,694,488	1,887,821
Total Assets	4,421,609	2,067,943	6,489,552
Current Liabilities	411,818	250,000	661,818
Common Stock	13,412	1,818	15,230
Additional Paid in Capital	1,943,134	1,816,125	3,759,259
Retained Earnings	2,053,245	0	2,053,245
Total Stockholders' Equity	4,009,791	1,817,943	5,582,734
Total Liabilities & Stockholders' Equity	$4,421,609	$2,067,943	$6,489,552

Because InShop was not operational during the last year no proforma income statement - data can be provided.

InShop is involved in the following litigation.

A Summons and Complaint in an action titled against 800America.Com, Inc. and InShop com, Inc. has been served on InShop. The damages asked for are $219,429. The action is pending in the Supreme Court of the State of New York, County of New York. There has been no activity in this litigation beyond the service of the Summons and Complaint on InShop. The Company intends vigorously to defend this litigation.

A summons and complaint in an action seeking a consulting fee of $25,000 has been served on InShop. The action is pending in the Civil court of the City of New York. The Company intends to vigorously to defend the litigation.

Because of the early stages of the litigation referred to in the preceding two paragraphs, and due to the contingencies of litigation, the Company is precluded from providing any estimate at this time as to amounts which the plaintiffs might recover should the Company and InShop fail successfully to defend their positions.

On January 30, 2001, the Company commenced an action for breach of contract. The action is pending in the Supreme Court of the State of New York, County of New York. The issue was the Company's agreement to purchase another company. The target company subsequently refused to comply with the agreement. The Company is asking $2,000,000 in damages.

800America.com, Inc.
Condensed Consolidated Balance Sheet
Unaudited
September 30, 2001 and December 31, 2000

	September 30, 2001	Dec
ASSETS		
Current Assets		
Cash in Bank	$ 9,107,264	
Accounts Receivable	212,907	
Allowances for Doubtful Accounts	(154,000)	
Prepaid Advertising	75,000	
Due from Affiliate	47,749	
Deferred Tax Asset	47,260	
Total Current Assets	9,213,431	
Property and Equipment		
Equipment	852,562	
Software	2,377,150	
Auto	20,738	
	3,250,450	
Accumulated Depreciation	(1,145,034)	
Total Property and Equipment	2,105,416	
Other Assets		
Intangible Assets (Net)	176,666	
Investment iGain, Inc.	50,000	
Investment - UPS	1	
Note Receivables Stockholders'	82,818	
Investment Inshop	174,395	
Other Assets	132,500	
Total Other Assets	616,380	
Total Assets	11,935,227	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable Trade		
Accrued Expenses		
Income Tax Payable		
Due on Purchase		
Total Current Liabilities		
Stockholders' Equity Preferred Stock No Par Value		
5,000,000 Shares Authorized		
0 Issued Common Stock - 0.0001 Par Value		
50,000,000 Shares Authorized		
13,412,999 Shares Outstanding at December 31, 2000		
16,162,943 Shares Outstanding at September 30, 2001		
Additional Paid in Capital Retained Earnings		
Total Liabilities and Stockholders' Equity		

See Accompanying Notes to Condensed Consolidated Financial Statements

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800America.com, Inc.
Condensed Consolidated Statements of Income
Unaudited Periods Ended September 30, 2001 and September 30, 2000

	2001 Three Months	2001 Nine Months	2000 Three Months	M
Revenues	5,941,924	15,244,673	3,922,359	9
Cost and Expense				
Rebates	1,362,744	4,876,154		
Advertising	1,536,486	2,683,605	400,820	1
Depreciation-Amortization	166,901	593,869	74,971	
Bad Debts	0	15,000	9,837	
General and Administrative	1,615,074	3,307,403	815,463	1
Total	3,318,461	6,599,877	2,663,835	7
Net Income from Operations	2,623,463	8,644,796	1,258,524	2
Other Income				
Interest	65,094	108,600	5,189	
Sale of Assets	0	500,000	0	
Income Tax Expense	(935,100)	(3,200,000)	(448,305)	
Net Income	1,753,457	6,053,396	815,408	1
Basic Earning Per Share	$ 0.11	$ 0.38	$ 0.07	$
Diluted Earnings Per Share	$ 0.09	$ 0.33	$ 0.06	$

See Accompanying Notes To Condensed Consolidated Financial Statements

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800America.com, Inc.
Condensed Consolidated Statements of Cash Flows
Unaudited
Nine Months Ended September 30,

	2001	2000

Cash Flows from Operating Activities		
Net Income	$ 6,053,396	$ 1,338,063
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities		
Depreciation and Amortization	$ 578,869	$ 154,273
Bad Debts Allowance - Increase	15,000	73,000
Accounts Receivable (Increase) Decrease	797,727	(707,292)
Other Assets (Increase) Decrease	122,749	215,600
Accounts Payable Increase (Decrease)	68,845	181,181
Income Tax Payable-Increase (Decrease)	479,695	301,570
Accrued Expenses	40,706	19,266
Due on Purchase	1	
Cash Provided by Operations	8,156,988	1,575,661
Cash Flows From Investing Activities		
Purchase of Equipment	(108,731)	(437,422)
Purchase of Software	(1,490,000)	
Advance to Operating Activities	(384,506)	
Purchase UPS	1	
Cash Used by Investment Activities	(1,983,238)	(437,422)
Cash Flows From Financing Activities		
Sale of Previously Unissued Stock (Net)	6,315,768	
Repurchase Stock From Above Sales	(5,500,000)	
Additional Paid in Capital		250,000
Cash Provided by Financing Activities	815,768	250,000
Net Increase in Cash	6,989,518	1,388,239
Beginning Cash Balance	2,117,746	392,464
Ending Cash Balance	$ 9,107,264	$ 1,780,703

See Accompanying Notes to Condensed Consolidated Financial Statements

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800AMERICA . COM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Financial Statement Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information. In the opinion of management, all adjustments, which are necessary for a fair presentation, have been included. The results for interim periods are not necessarily indicative of results, which may be expected for any other interim period, or for the full year. For further information, refer to the December 31, 2000 consolidated financial statements and notes thereto include in 800America.com, Inc. 10KSB.

Note 2 - Related Party Transactions

Compensation paid Chief Executive Officer $201,666 for nine months ended September 30, 2001 and $55,000 for the six months ended June 30, 2000.

Note 3 - Supplemental Cash Flow Information

Nine months ended	9/30/01	9/30/00
Interest paid	0	0
Income tax paid	$2,319,100	$387,735

Note 4 - None Cash Transactions

1,817,493 Shares Common Stock for operating activity Inshop.Com	1,817
200,000 Shares Common Stock eBiz4Biz.com	200
450,000 Shares of Common Stock for assets of cs-live.com	450

Note 5 - Purchase of Subsidiary's

The Company purchased eBiz4Biz. Com which was not operational but had succeeded in developing some advance computer software. The agreement was dated January 20, 2001 but the purchase was not completed until May 16, 2000.

The agreement contemplated the purchase method of accounting.

The period for which the results of operations of the acquisition are included in the income statement for the eight months ending September 30, 2001. Goodwill was not recognized. The only asset of eBiz4Biz is advanced technology software.

The Company purchased Fileshooter.com (Fileshooter). Fileshooter was dormant since its inception until purchased by 800America.com, Inc. on June 30, 2001. Fileshooter, like eBiz4Biz.com was fully integrated into 800America.com Inc. operations. Method of accounting will be the purchase method. No goodwill is recognized. The only asset of Fileshooter.com is advanced technology software. The Company purchased substantially all of the assets of cs-live.com.

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The above purchases were completed for a combination of stock and cash of approximately $1,550,000.

The Company acquired all of the capital stock of Universal Payments Systems (UPSI). Company management owned and developed UPSI. The purchase price was $1.

In September 2001, the Company acquired substantially all of the assets, including the name, of cs-live.com inc. The purchase price was $50,000 and 450,000 shares of common stock. The company also assumed certain operating liabilities. cs-live inc. changed it name to Intelligent Web Technologies, Inc. The Company has made advance to Intelligent Web Technologies, Inc. of approximately $82,818 at September 30, 2001. The advance is secured by the shares of common stock paid as a part of the purchase price.

Note 6 - Private Offering - Stock Sale

The Company sold previously unissued stock in a private offering for approximately $6,315,768 net of offering cost. The Company repurchased, at sale price, $5,500,000 of the stock sold from one investor.

Note 7 - Subsequent Events Contingent Liability

In October 2001, the Company acquired all of the capital stock of iGain, Inc. The purchase price was 1,050,000 shares of common stock. The Company agreed to repurchase, at the option of the holders, 1,000,000 shares of common stock issued in the merger (less $51,028 shares as explained below) for a price of $2.60 per share. The conditions for which the Company will repurchase the shares is the earlier of (i) if the current Chief Executive Officer is no longer serving in that capacity, (ii) the Company conducts a public offering of its securities and receives at least $7,000,000 in proceeds, or (iii) one year from the closing date of the merger. In connection with the merger, the Company agreed to repurchase a total of 51,028 of the shares within 30 days of the closing for $2. 25 per share. If all the shares were repurchased within one year from the closing date of the merger the total redemption price would be $2,582,140.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 24. Indemnification of Officers and Directors.

Section 78.7802 of the General Corporation Law of Nevada, as amended ("GCL"), authorizes a Nevada corporation to indemnify its officers, directors, employees and agents under certain circumstances against expenses and liabilities incurred in legal proceedings involving such persons because of their holding or having held such positions with the corporation and to purchase and maintain insurance of such indemnification. Our By-laws substantively provide that we will indemnify our officers, directors, employees and agents to the fullest extent provided by Section 78.7802 of the GCL.

Section 78.751 of the GCL permits a Nevada corporation, by so providing in its By-laws, to eliminate the personal liability of a director for monetary damages for any action taken unless the director has breached or failed to perform the duties of his office and the breach or failure constitutes self-dealing, willful misconduct or recklessness. In addition, no such limitation of liability is available with respect to the responsibility or liability of a director pursuant to any criminal statute or for the payment of taxes pursuant to federal, state or local law. Our By-laws eliminate the personal liability of the directors to the fullest extent permitted by Section 78.7802 of the GCL.

Item 25. Other Expenses of Issuance and Distribution.

The following is an itemized statement of the estimated amounts of all expenses payable by the Registrant in connection with the registration of the common stock.

SEC Registration Fee...........................	*	$ 861
Printing and Engraving Expenses.................	*	$ 4,000
Accounting Fees and Expenses....................	*	$ 1,500
Legal Fees and Expenses.........................	*	$ 7,000
Miscellaneous...................................	*	$ 2,500
Total................................	*	$15,861

* estimated

Item 26. Recent Sales of Unregistered Securities

During the three years immediately preceding the date of the filing of this registration statement, the following securities were issued by 800America.com, Inc. without registration under the Securities Act of 1933, as amended ("Act"):

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In March 2000, we issued 200,000 shares of our common stock to one person in connection with the acquisition of all the capital stock of Rothman's Closeouts, Inc. We issued the shares pursuant to an exemption from registration set out in Section 4(2) of the Act.

In October 2000, we issued 1,850,000 shares of our common stock to twelve accredited investors in connection with the acquisition of all the outstanding capital stock of Inshape, Inc. We issued the shares pursuant to Rule 506 of Regulation D under the Act.

In January 2001, we issued 200,000 shares to thirty persons in connection with the acquisition of all of the outstanding capital stock of ebiz4biz, Inc. All of the persons who received shares of our common stock were non-US citizens and resided outside of the United States.

In July 2001, we issued twenty-six units. Each unit consisted of 25,000 shares of common stock and 2,500 common stock purchase warrants. Each investor was an "accredited purchaser" as that term is defined in Rule 506 of Regulation D set out in the Act.

In September 2001, we issued 450,000 shares in exchange for substantially all of the assets and assumption of certain operating liabilities of cs-live, inc. The shares were issued pursuant to an exemption from registration set out in Section 4(2) of the Act.

In October 2001, we issued 1,050,000 shares of common stock in exchange for the outstanding capital stock of iGain, Inc. All of the stockholders of iGain, Inc. who exchanged their shares (17) were "accredited investors" as that term is defined in Rule 506 of Regulation D set out in the Act.

In December 2001, we issued 660,000 shares of our common stock in exchange for all the outstanding capital stock of WizardWorld, Inc. All of the stockholders of WizardWorld, Inc. who exchanged their shares (5) were "accredited investors" as that term is defined in Rule 506 of Regulation D set out in the Act.

Also in December 2001, we sold 340,000 shares of our common stock and received $850,000 in gross proceeds. There were 4 investors all of whom were "accredited investors" as that term is defined in Rule 506 of Regulation D set out in the Act.

In December 2001, we agreed to issue 45,000 shares to a consultant for services to be rendered. The shares will be issued pursuant to an exemption from registration set out in Section 4(2) of the Act.

We also agreed in December to issue 100,000 shares to a consultant for services to be rendered. The shares will be issued pursuant to an exemption from registration set out in Section 4(2) of the Act.

In January 2002, we issued 500,000 shares of our common stock in exchange for substantially all of the assets and the assumption of certain operating liabilities of Youtopia.com, Inc. The shares were issued pursuant to an exemption from registration set out in Section 4(2) of the Act.

Also in January, we issued 150,000 to a consultant for services to be rendered. The consultant is an "accredited investor" as that term is defined in Rule 506 of Regulation D set out in the Act.

Item 27. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation and By-laws (in reference to Registration Statement on Form SB-2 (Commission F
* 5.0 & 23.0	Opinion and Consent of John L. Thomas, Esquire
10.0	Lease dated November 3, 1999, as amended
10.1	Form of Common Stock Purchase Warrant
10.2	Employment Agreement dated March 20, 2000, between the registr Jane Rothman
23.1	Consent of Jack F. Burke, Jr., CPA

* to be filed by amendment

Item 28. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change t such information in the registration statement.

Provided, however, that paragraphs (1) (i) and (1) (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15 (d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Form SB-2 and has duly caused this registration statement on Form SB-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in Nashville, Tennessee on January 15, 2002.

800America.com, Inc.

By: /s/ David E. Rabi

David E. Rabi
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been duly signed below by the following persons in the capacities and dates indicated.

Signatures	Title
/s/ David E. Rabi David E. Rabi	Chairman of the Board, and Chief Executive Officer (Principal and Chief Executive Officer) Director and Chief Financial Officer (Principal Accounting Officer)
/s/ Bobby Wallay Bobby Wallay	Director
/s/ Darvin D. Pierce Darvin D. Pierce	Director

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EXHIBIT INDEX

Exhibit Number	Description
10.0	Lease dated November 3, 1999, as amended
10.1	Form of Common Stock Purchase Warrant
10.2	Employment Agreement dated March 10, 2000, Between registrant and Jane Rothman
23.1	Consent of Jack F. Burke, Jr., CPA

1">**2002 over 2001**

% change

2003

2002

2001

Pounds Processed:

Domestic Aluminum

1,938,777 2,144,798 2,212,516 -10% -3%

International Aluminum

778,810 157,849 126,462 393% 25%

Zinc

238,441 233,372 215,009 2% 9%

Total Pounds Processed	2,956,028	2,536,019	2,553,987	17%	-1%
Percentage Tolled:					
Domestic Aluminum	63%	64%	68%		
International Aluminum	52%	74%	75%		
Zinc	3%	3%	3%		
Total Percentage Tolled	55%	59%	63%		

DOMESTIC ALUMINUM PRODUCTION. Our domestic aluminum production has declined since 2001. During most of this time, our domestic aluminum segment has been negatively affected by the prolonged low level of U.S. industrial activity. As U.S. manufacturing sector economic conditions improved in late 2003, our operations were also impacted by the scarcity and high cost of suitable scrap materials.

We have sought to reduce our costs in response to these changing market conditions, and have redeployed assets where practicable to maximize their value to us. Within this segment, particularly in the case of our aluminum recycling facilities, our volume of material processed has declined since 2001. Due to these adverse market conditions, we provisionally suspended our Rockwood, Tennessee aluminum recycling facility in 2003, and permanently closed our Wendover, Utah aluminum recycling facility (which had been temporarily closed) in the fourth quarter of 2003. Materials that normally would be processed at these facilities have instead been shipped to our other facilities for processing.

The total volumes processed at our specialty alloy facilities in this segment have increased since 2001. We continue to experience high demand for specialty alloys from the auto manufacturing industry, which is served principally by our specialty alloy plants.

INTERNATIONAL ALUMINUM PRODUCTION. Metal processed at our foreign facilities has increased sharply since 2001, reflecting our recent acquisitions of operations in Monterrey, Mexico, Pindamonhangaba, Brazil, and VAW-IMCO in Germany.

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ZINC PRODUCTION. Zinc production has increased modestly since 2001. This increase reflects slightly greater demand from customers for our zinc oxide and zinc dust products. The 2002 addition of our Spokane, Washington facility has also increased production in this segment. As is the case with of our other segments, we have also installed a number of new furnaces in these operations to increase productivity and efficiency.

REVENUES. The following table shows the total revenue for our three operating segments since 2001 and the percentage change from the prior period (in thousands, except percentages):

	For the Year Ended December 31,			2003 over 2002	2002 over 2001
	2003	2002	2001	% change	% change
Revenues:					
Domestic Aluminum	$ 479,585	$ 505,683	$ 490,616	-5%	3%
International Aluminum	256,386	23,952	20,629	970%	16%
Zinc	156,044	157,533	178,092	-1%	-12%
Consolidated revenues	$ 892,015	$ 687,168	$ 689,337	30%	0%

Our total consolidated revenue has increased by 30% since 2001. This increase is more than the percentage increase in our metal processed due to our processing more material we own, or buy/sell material, as opposed to tolling material. Sales of our buy/sell material produces higher revenues, but this material also reflects higher costs due to our ownership of the materials. In the case of tolling materials, our customers retain ownership of the material processed, and we charge a tolling fee for our recycling services.

DOMESTIC ALUMINUM REVENUES. From 2001 to 2002, our domestic aluminum revenues increased. This mostly reflected stronger volumes processed at our specialty alloy facilities and, to a lesser degree, increases in our deoxidizer (deox) processing.

For 2002 to 2003, our domestic aluminum revenues decreased compared to 2002. This reflected a decline in volumes processed among our aluminum recycling plants; however, volumes at our specialty alloy facilities, for 2003, were roughly the same as in 2002. Also, our deox processing was lower in 2003 than in 2002.

The principal reasons for this decline include a decrease in the collection and recycling of aluminum beverage cans and the prolonged low level of U.S. industrial activity for most of this time. The closure of customer facilities in the Pacific Northwest has also affected our revenues. Further, the closure of our Wendover facility, for the preceding reasons, also reduced revenue in this segment.

The shift in our business to more buy/sell materials, has supplanted some of these lost revenues, but has also imposed more material costs on us. In general, aluminum prices and scrap costs both moved higher towards the end of 2003. On average, the overall London Metal Exchange (LME) price of aluminum alloy increased by approximately 21% from December 2002 to December 2003.

INTERNATIONAL ALUMINUM REVENUES. Our international aluminum revenues have increased strongly since 2001, reflecting our foreign acquisitions and increased volumes. Most of this growth is due to the acquisition of VAW-IMCO, and, to a lesser degree, reflects our increasing operations in Mexico, as well as our operations in Brazil. With the consolidation of VAW-IMCO, the majority of our revenues in this segment represent product sales of buy/sell materials as opposed to tolling fees. VAW-IMCO s revenues are closely tied to the European auto industry, since approximately 60% of its annual output is provided to that industry.

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ZINC REVENUES. Since 2001, our zinc segment revenues have declined. This mostly reflects lower consolidated revenues from our zinc brokerages since 2001. Revenues from our zinc manufacturing facilities have actually increased, mostly due to increased volumes processed by our zinc recycling facilities. Towards the end of 2003, overall supply and demand conditions for zinc had improved, which was reflected in our revenues during this time.

GROSS PROFITS. Since 2001, our gross profits have increased. Overall, since 2001, our international aluminum and zinc segments have more than offset a decrease in our domestic aluminum segment.

The following table shows the total income for our Company s segments, and the percentage change from the prior period and a reconciliation of segment income to our consolidated gross profits (in thousands, except percentages):

	For the year ended December 31,			2003 over 2002	2002 over 2001
	2003	**2002**	**2001**	**% change**	**% change**
Segment Income:					
Domestic Aluminum	$ 12,621	$ 34,938	$ 24,061	-64%	45%
International Aluminum	17,310	1,536	5,437	1027%	-72%
Zinc	4,895	3,677	(20)	33%	n/a
Total segment income	$ 34,826	$ 40,151	$ 29,478	-13%	36%
Items not included in gross profits:					
Plant selling expense	4,859	4,634	4,944	5%	-6%
Management SG&A expense	13,031	3,926	2,264	232%	73%
Equity in earnings of affiliates	(789)	(2,403)	(3,131)	-67%	-23%
Other income	2,660	164	(231)	1522%	-171%
Gross Profits	$ 54,587	$ 46,472	$ 33,324	17%	39%

DOMESTIC ALUMINUM INCOME. Since 2001, our domestic aluminum segment income, after adjusting for our international aluminum segment, has experienced wide variations. In 2002, we benefited from increased margins for our specialty alloys, and we also had a full year of production from our new Saginaw, Michigan facility. This facility is almost exclusively dedicated to toll processing for the automotive industry. In addition, average aluminum alloy prices were modestly higher in 2002 compared to 2001.

Our fuel costs, principally natural gas, have fluctuated over the last two years. In 2002, we benefited from a reduction in fuel costs. On a per unit basis, after accounting for our natural gas hedging activities, our fuel costs decreased by approximately 15% in 2002 compared to 2001. Our natural gas hedging activities have reduced the impact of changes in natural gas prices, but they do not eliminate the adverse effects of fuel price increases.

Offsetting some of these positive factors in 2002, we were negatively affected by the continued shutdown of primary smelter capacity in the Pacific Northwest. We have reduced operations in that area accordingly, and have redeployed assets where practicable.

In 2003, our operations in this segment were challenged by four unfavorable items. First, our margins for our specialty alloys compressed, as we found it harder to obtain suitable scrap metal as raw materials at

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favorable prices. At this time, we do not foresee an easing of this problem; however, we are working to expand our sources for scrap metal and to continue to improve our metal recoveries. In addition, selling prices for aluminum products have recently begun to increase.

Second, during 2003 we continued to be affected by the continued shutdown of primary smelter capacity in the Pacific Northwest. This was a significant factor in our decision to permanently close our Wendover, Utah facility. Additionally, certain other assets held for sale in this segment were deemed impaired in the fourth quarter of 2003. The total non-cash charges for these impairments were $5,905,000. See NOTE E PROPERTY AND EQUIPMENT of Notes to Consolidated Financial Statements. Of our total impairment charges $1,965,000 of this amount was included in Other Income in our results of operation. The remaining balance of these charges, $3,940,000, was included in cost of goods sold. All of these charges have been included in domestic aluminum segment income for 2003.

Third, due to reduced demand for our recycling services in the southeast, in 2003 we provisionally suspended operations at our Rockwood, Tennessee facility. In addition, at the end of 2003, we also wrote down the carrying amounts of some of our other assets in this segment. These non-cash charges have also been included in calculating our segment income.

Fourth, contributing to the performance of this segment was the increase in natural gas prices in 2003. On a per unit basis, after accounting for our natural gas hedging activities, our fuel costs increased by approximately 13% for 2003 compared to 2002. Our natural gas hedging activities do not completely eliminate the adverse effects of fuel price increases.

At the end of 2003, we experienced an increase in customer demand among our domestic aluminum recycling facilities.

INTERNATIONAL ALUMINUM INCOME. Since 2001, our international aluminum income has increased. Most recently, the majority of this increase is due to the consolidation of VAW-IMCO. VAW-IMCO has sufficient capacity and operating efficiency to profitably produce significant amounts of the specialty alloys demanded by our customers in the European automotive industry. We anticipate further expansion of VAW-IMCO s operations in the near term.

In 2002, prior to the consolidation of VAW-IMCO, our income in this segment declined due to the initial operations of our then new facilities in Mexico and Brazil. We have since made operational changes to both of these facilities. Income from our Mexico facility has increased due to our expansion of this operation in 2002 and the installation of our furnace technology, which has increased metal recoveries.

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ZINC INCOME. Our zinc segment income has increased since 2001. The overall supply/demand situation for zinc improved in 2003. Our overall margins for our zinc products have steadily improved. Since 2001, we have reduced operations at some of our zinc trading businesses and improved the output of certain of our zinc furnaces.

OTHER EXPENSES AND INCOME ITEMS.

(in thousands, except percentages):

	For the Year Ended December 31, 2003	2002	2001	2003 over 2002 % change	2002 over 2001 % change
Selling, general and administrative expense	38,242	26,549	22,686	44%	17%
Amortization expense			4,299	n/a	-100%
Fees on receivables sale	843	1,698	3,372	-50%	-50%
Interest expense	15,806	9,727	11,038	62%	-12%
Other (income) expense net	(4,017)	(367)	(301)	n/a	22%
Equity in net (earnings) loss of affiliates	(789)	(2,403)	(3,131)	-67%	-23%

SG&A EXPENSE. Selling, general and administrative expense has increased since 2001. In 2002 this increase was primarily due to higher employee costs. In 2003, these costs increased largely as a result of the consolidation of VAW-IMCO and higher professional fees. Professional fees were approximately 67% higher in 2003 than in 2002.

AMORTIZATION EXPENSE. During 2002, we had no charge from amortization of goodwill compared to a $4,299,000 amortization charge incurred in 2001. The discontinuation of this expense resulted from our adoption of SFAS No. 142 in 2002. See Earnings Before Cumulative Effect of Accounting Change below.

FEES ON RECEIVABLES SALES. Since 2001, our fees on receivable sales have decreased, mainly due to lower prevailing interest rates throughout this period and lower volumes of receivables sold. During the refinancing of our indebtedness that was concluded in the fourth quarter of 2003, our former receivable sales facility was terminated.

The financial condition and results of operations of our special purpose receivables subsidiary are included in our consolidated financial statements. See NOTE C SALE OF RECEIVABLES of Notes to Consolidated Financial Statements.

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INTEREST EXPENSE. In 2003, interest expense was higher mostly due to the October refinancing of substantially all of our debt. Our existing credit facilities were scheduled to expire by their own terms at the end of 2003. The effective annual interest rate on our former revolving credit facility was approximately 7.7%. In connection with the October 2003 refinancing of substantially all of our debt, we replaced the former revolving credit facility with a new senior secured revolving credit facility and an issuance of senior secured notes. The annual interest rate on the notes is 10.375%. Additionally, as part of this refinancing, we were required to use some of the proceeds from the new senior secured revolving credit facility and the 10.375% notes to repurchase our previously sold receivables.

Interest expense in 2002 decreased compared to 2001. Additional debt and interest expense resulting from the Brazilian plant acquisition were offset in 2002 by a decrease in overall debt due to changes in management of working capital and lower prevailing interest rates.

We are currently exploring the use of financial instruments principally interest rate swaps to effectively reduce some of our fixed-rate obligations. No assurances can be given, however, that we will be successful in the establishment of these financial instruments, nor can any assurance be given of their effects on our net income going forward.

OTHER INCOME. Our other income in 2003 increased significantly compared to 2002. A portion of this increase was due to our net gain on the refinancing of our debt and the payment of the VAW-IMCO redemption liability during the fourth quarter of 2003 of $4,679,000. See NOTE G LONG TERM DEBT of Notes to Consolidated Financial Statements. Offsetting this gain were our non-cash impairment charges of $1,965,000 relating to certain assets held for sale in our domestic aluminum segment, which was reflected within the calculation of the segment income for that segment. See NOTE E PROPERTY AND EQUIPMENT of Notes to Consolidated Financial Statements.

For the fourth quarter of 2003, an unrealized foreign currency gain of $1,880,000 was recorded related to certain intercompany notes with foreign subsidiaries. The primary reason for this gain was the increase in the value of the Euro against the U.S. dollar in the fourth quarter of 2003. See NOTE R OTHER COMPREHENSIVE EARNINGS (LOSS) of Notes to Consolidated Financial Statements.

EQUITY IN EARNINGS. Our equity in earnings decreased in 2003, mostly due to the consolidation of VAW-IMCO as of March 1, 2003. Prior to consolidation, the results of operations of VAW-IMCO were reported under the equity method of accounting. Under this method, we recorded our 50% share of the net income from VAW-IMCO as our equity in earnings.

EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE. Earnings before cumulative effect of accounting change decreased in 2003 compared to 2002. This decrease was the result of weakness in our domestic aluminum segment, and increases in our selling, general and administrative costs and interest costs, as discussed above.

In 2002, our earnings before the cumulative effect of accounting change increased compared to a loss in 2001. The increase was primarily the result of increased profit margins as discussed above, as well as the elimination of goodwill amortization under SFAS No. 142. See NOTE P GOODWILL of Notes to Consolidated Financial Statements.

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INCOME TAXES. We recorded an overall consolidated net tax benefit for 2003. See NOTE F INCOME TAXES of Notes to Consolidated Financial Statements. This reflected the results of operations which included the tax effects of the write-downs and impairments discussed above. Further, no tax was recorded for the non-cash gain we realized on extinguishment of the VAW-IMCO redemption liability.

In 2002, our effective tax rate, excluding the impact of equity income related to VAW-IMCO, increased to 38% in 2002 from a benefit of 31% in 2001. The primary reason for the difference is due to the amount of our domestic U.S. net loss recorded during 2001 compared to the level of expenses not deductible for tax purposes.

LIQUIDITY AND CAPITAL RESOURCES.

We have historically financed our operations and capital expenditures from internally generated cash and available credit facilities. We have traditionally financed our acquisitions and capacity expansions from a combination of funds from long-term borrowings and stock issuances. We believe that our cash on hand and our anticipated internally generated funds will be sufficient to fund our operational needs for at least the next twelve months.

Cash Flows from Operations. Cash flows from our operating activities are generally the result of net income, deferred taxes, depreciation and amortization, and changes in our working capital. Operations used $8,252,000 of cash during 2003 compared to $38,443,000 of cash provided from operations during 2002. Changes in operating assets and liabilities, principally the repurchase of our previously sold receivables in conjunction with our debt refinancing in October 2003, accounted for the majority of this difference. Changes in operating assets and liabilities resulted in a net use of cash of $42,559,000 for the year ended December 31, 2003, compared to net cash inflows from changes in operating assets and liabilities of $6,203,000 for the same period in 2002.

During the year ended December 31, 2003, changes in the amount of our receivables outstanding represented a cash source, providing $11,313,000 of cash. However, during that period, the repurchase of receivables eligible for sale under our former receivables sale facility represented a use of cash of approximately $61,300,000. Increases in our accounts payable and accrued liabilities functioned as a cash source of $19,341,000 during 2003. Increases in our inventories used $12,639,000 in cash in 2003, and changes in our other current assets provided $726,000 in cash during 2003.

During the year ended December 31, 2002, changes in accounts receivable represented a $2,118,000 source of cash. Also, during this same time period in 2002, increases in accounts payable and accrued liabilities functioned as a source of cash for us, providing $14,989,000. During 2002, changes in the amount of receivables sold under our former receivable sales facility represented a use of cash of $4,000,000. Increases in inventory and other current assets represented a use of cash of $3,514,000 and $3,390,000, respectively. Net income before the effect of accounting change was $4,971,000 for 2003, compared to $6,864,000 for the comparable 2002 period.

One of our key internal performance indicators is the number of our days sales outstanding. This calculation excludes our amounts from our former receivables sale facility. Over the past two years we have managed our receivables to reduce the number of days sales outstanding, effectively strengthening our cash receipts from customers. The following table shows the improvement in days sales outstanding:

	As of December 31,		
	2003	**2002**	**2001**
Days Sales Outstanding	46	50	54

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Our use of cash for inventories occurred mostly among our domestic facilities. Given the escalation of base metal prices at the end of 2003, we purchased more materials at year-end as we entered 2004. In view of the fact that supplies of suitable scrap and processing materials tightened in 2003, we increased our inventories of certain materials. This has affected both our domestic aluminum and zinc segments. Our domestic aluminum and international aluminum operations are more product sales oriented than in previous years. As discussed above, this requires us to purchase more inventories for our operations.

Cash Flows from Investing Activities. Cash flows from investing activities primarily reflect our capital expenditure strategy. Our capital expenditures principally relate to property, plant and equipment. During the year ended December 31, 2003, net cash used by investing activities was $30,068,000, compared to a use of cash of $16,344,000 for the same period in 2002. The difference between these two periods was primarily due to the acquisition of the remaining 50% of VAW-IMCO, as discussed above, and an increase in restricted cash. As of December 31, 2003, VAW-IMCO had $28,156,000 in cash. Our total payments for property, plant and equipment in 2003 increased to $20,807,000 compared to $19,313,000 spent in 2002. Our overall capital expenditures for property, plant and equipment in the U.S. and at our international locations in 2004 are expected to approximate $25,000,000.

The majority of this sum is planned to be used for expansion of certain specialty alloying facilities, the expansion of the Morgantown landfill and other maintenance capital items.

These capital expenditures are expected to be funded by cash flows generated from continuing operations, and proceeds to us from the repayment in full by VAW-IMCO in February 2004 of a $24,002,000 loan made by us to VAW-IMCO in connection with our October 2003 debt refinancing. See CREDIT FACILITIES AND REFINANCING.

We have $24,846,000 in restricted cash. In October 2003, as part of the refinancing of virtually all of our outstanding debt, we transferred funds we received from the refinancing to VAW-IMCO to prepay the redemption liability for its shares owned by our former joint venture partner, and to pay off its then existing debt.

A portion of the funds advanced to VAW-IMCO was in the form of an intercompany loan, evidenced by a promissory note from VAW-IMCO in the original principal amount of $24,002,000. As required under the terms of the indenture for the senior secured notes, we pledged the intercompany note as part of the security for the repayment of the senior secured notes. In February 2004, VAW-IMCO paid all of the outstanding indebtedness under this intercompany note, resulting in a transfer by VAW-IMCO of $24,002,000 plus accrued interest to a collateral account held by the trustee under the indenture for the benefit of holders of the senior secured notes. Thus, these funds in the collateral account and interest earned on these funds are restricted.

As permitted under the indenture, subject to certain limitations, we will be able to use these funds in the collateral account for certain property and equipment expenditures until January 2005. The property and equipment that are the subject of these expenditures will also become collateral security for the senior secured notes. See NOTE G LONG-TERM DEBT of Notes to Consolidated Financial Statements. We currently anticipate that we will use all of the funds from the collateral account for these purposes in 2004. However, to the extent that more than $5,000,000 in unused funds remain in the collateral account after January 2005, we are required to make an offer to repurchase outstanding senior unsecured notes up to the extent of the amount of the unused funds. If the amount of notes tendered to us in response to this offer is less than the amount of the unused funds, then we may use the excess funds for our general corporate purposes, free of liens under the indenture but subject to its other terms and conditions.

Cash Flows from Financing Activities. Cash flows from financing activities generally reflect changes in our borrowings and debt obligations. Net cash provided by financing activities was $45,557,000 for the year ended December 31, 2003, compared to a use of cash of $18,381,000 for 2002. In 2003 we refinanced almost all of our long term foreign and domestic debt obligations. The payments and proceeds through these transactions reflected these changes. As a result of our new financing arrangements, our interest expense is expected to increase. At this time, we estimate that our interest expense for 2004 will increase by approximately $7,000,000 over our reported amounts for 2003.

In 2002 we reduced the amount of borrowings outstanding under our financing arrangements through more aggressive use of our working capital as discussed above. As of December 31, 2003, we had $32,991,000 in indebtedness outstanding under our senior credit facility. In addition, standby letters of credit with several banks were outstanding under this facility, totaling $7,873,000. See NOTE G LONG-TERM DEBT of Notes to Consolidated Financial Statements.

EBITDA. We report our financial results in accordance with generally accepted accounting principles (GAAP). However, our management believes that certain non-GAAP performance measures, which our management uses in managing the business, may provide investors with additional meaningful comparisons between current results and results in prior periods. EBITDA is an example of a non-GAAP financial measure that we believe provides investors and other users of our financial information with useful information.

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EBITDA represents net earnings (loss), before interest expense, provision for (benefit from) income taxes, depreciation and amortization and cumulative effect of accounting change, net of tax benefit. EBITDA is a non-GAAP financial measure which is presented because we believe that it is a useful indicator of our ability to incur and service debt. EBITDA is also used for internal analysis purposes and is a component of the fixed charge coverage financial covenants under our new senior credit facility and our new senior secured notes. EBITDA should not be construed as an alternative to net earnings (loss) as an indicator of our performance, or cash flows from our operating activities, investing activities or financing activities as a measure of liquidity, in each case as such measure is determined in accordance with accounting principles generally accepted in the United States (U.S. GAAP). EBITDA may not be comparable to similarly titled measures used by other entities. Historical EBITDA as presented below may be different than EBITDA as defined under our indenture for our new secured notes and the loan agreement for our new senior credit facility.

Our reconciliation of EBITDA to net earnings (loss) and net cash from operating activities is as follows (amounts in thousands):

	Year ended December 31,		
	2003	**2002**	**2001**
EBITDA reconciliation:			
EBITDA	$ 53,375	$ 44,080	$ 34,202
Interest expense	15,806	9,727	9,970
Provision for (benefit from) income taxes	(1,029)	3,843	(2,243)
Depreciation and amortization	33,627	23,646	29,197
Cumulative effect of accounting change, net of tax benefit		58,730	
Net earnings (loss)	$ 4,971	$ (51,866)	$ (2,722)
Cumulative effect of accounting change, net of tax benefit		58,730	
Depreciation and amortization	33,627	23,646	29,197
Provision for deferred income taxes	(3,851)	(962)	2,106
Equity in earnings of affiliates	(789)	(2,403)	(3,131)
Other non-cash charges, including gain on extinguishment of debt	349	5,095	3,390
Net change in working capital:			
Accounts receivable	11,313	2,118	19,024
Receivables sold	(61,300)	(4,000)	(24,700)
Inventory	(12,639)	(3,514)	18,367
Other current assets	726	(3,390)	2,869
Accounts payable	19,341	14,989	(23,397)
Net changes in working capital	(42,559)	6,203	(7,837)
Net cash from operating activities	$ (8,252)	$ 38,443	$ 21,003

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Foreign Exchange Rates. During the year ended 2003, the overall weakening of the U.S. Dollar against foreign currencies resulted in an unrealized foreign currency translation gain that increased our equity. Foreign currency translation adjustments are the result of the process of translating a foreign entity s financial statements from the entity s functional currency to U.S. Dollars. Foreign currency translation adjustments accumulate in consolidated equity until the disposition or liquidation of the foreign entities.

	Year ended December 31, (Amounts in thousands)		
	2003	**2002**	**2001**
Foreign currency translation adjustments unrealized gain/(loss)	$ 3,587	$ (5,384)	$ 176

During the year ended 2003, the currency most responsible for this unrealized foreign currency translation gain was the Euro. During 2003, the Euro increased in value against the U.S. Dollar by approximately 20%. During 2002, the currency most responsible for our unrealized translation loss was the Brazilian Real. During the last half of 2002, the Brazilian Real lost approximately 25% of its value against the U.S. Dollar.

The gains and losses on translation adjustments for the year ended December 31, 2001 were immaterial.

The Euro is the functional currency of our VAW-IMCO facilities. The British Pound is the functional currency of our Wales facility. The Brazilian Real is the functional currency of our Brazil facility, and the Mexican Peso is the functional currency of our Mexican facility.

We translate the balance sheets of our foreign subsidiaries using fiscal period-end exchange rates. The consolidated statements of income are translated using the average exchange rates for the period. The cumulative effect of such translations is included in shareholders equity, as a component of other comprehensive income (loss).

CREDIT FACILITIES AND REFINANCING

2003 Refinancing

Following the end of our third quarter of 2003, we completed our previously announced refinancing of substantially all of our indebtedness.

On October 6, 2003, we issued $210,000,000 aggregate principal amount of our 10 $^{3}/8$% senior secured notes due 2010. At the same time, we and substantially all of our wholly-owned domestic subsidiaries entered into a new $120,000,000 senior secured revolving credit facility. Proceeds from the sale of the new secured notes and initial borrowings under the new senior credit facility were principally applied for the following purposes:

to repay approximately $122,600,000 of debt outstanding under our former senior credit facility,

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- to repay approximately $7,541,000 of bank debt outstanding owed by our Brazilian subsidiary, and

- to repurchase $46,300,000 of trade receivables we had previously sold under our receivables sale facility, which we then terminated.

Additionally, approximately $51,400,000 in proceeds were applied to outstanding loans and obligations owed by VAW-IMCO, our German subsidiary, to commercial banks and to Hydro, our former joint venture partner, with regards to VAW-IMCO s redemption liability. Other proceeds were applied toward payment of a portion of the fees and expenses in connection with this refinancing.

Of the approximately $51,400,000 referred to above, we deposited $27,376,000 into the Collateral Account to pay substantially all amounts owing under the VAW-IMCO redemption liability. We caused VAW-IMCO to pay the redemption liability in full in the fourth quarter of 2003. As permitted by the terms of our indenture, we paid to Hydro approximately 23,750,000 Euros (approximately U.S. $28,300,000) in payment of the share redemption liability and the purchase of an aluminum recycling furnace and related assets and real estate located on, and adjacent to a VAW-IMCO facility.

Prior to the completion of our refinancing, we had in place a receivables sale facility and a senior secured revolving credit facility. Under our receivables sale facility we and certain of our originating subsidiaries had agreed to sell, from time to time, our interest in certain trade accounts receivable and other related assets to a wholly-owned subsidiary of ours, which in turn sold an undivided interest in the receivables and assets to unaffiliated third-party financial institutions and other entities. We repurchased $46,300,000 in receivables outstanding under the receivables sale facility and terminated the receivables sale facility in connection with our refinancing in October 2003; it had been scheduled to expire in November 2003.

We had used our former senior credit facility to provide funding for our short-term liquidity requirements and for our letter of credit needs. The former senior credit facility had been scheduled to expire in December 2003, so that all indebtedness outstanding under it had previously been classified as a current liability. All amounts owed under this facility were repaid with proceeds from our refinancing transactions on October 6, 2003.

Terms of the New Secured Notes

The new secured notes bear interest at the rate of 10 $^{3}/8$% per year. Interest on the new secured notes is payable on April 15 and October 15 of each year, commencing on April 15, 2004. The new secured notes mature on October 15, 2010.

The new secured notes are not redeemable by us until October 15, 2007. During the twelve-month period beginning on October 15 of the years indicated below, the new secured notes are redeemable in whole or in part at our option at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest, if any, to the date of redemption:

Year	Percentage

2007	105.188%
2008	102.594%
2009 and thereafter	100.000%

In addition, at any time prior to October 15, 2006, we may redeem up to 35% of the aggregate principal amount of the new secured notes with the proceeds of one or more equity offerings of our common shares, at a redemption price of 110.375% of the principal amount of the new secured notes, together with accrued and unpaid interest, if any, to the date of redemption. Upon certain changes in control

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involving our company, each holder of the new secured notes will have the right to require us to repurchase the new secured notes at a purchase price in cash equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The new secured notes are our senior obligations and are guaranteed on a senior basis by all of our existing wholly-owned domestic subsidiaries that are co-borrowers under our new senior credit facility and any future restricted domestic subsidiaries. The new secured notes are not guaranteed by any of our current or future foreign subsidiaries. The new secured notes and guarantees are secured by first-priority liens, subject to permitted liens, on the real property, fixtures and equipment relating to our wholly-owned domestic operating plants and on the fixtures and equipment relating to substantially all of our leased domestic operating plants and in an intercompany note issued to us by VAW-IMCO. The liens securing the new secured notes do not extend to any of our inventory, accounts receivable and related property (which secure the debt under our new senior credit facility) or to any of our foreign real or personal property.

Forming part of the security for the new senior secured notes was an intercompany note issued by VAW-IMCO to us in October 2003. In February 2004, VAW-IMCO paid us 20,000,000 Euros, paying in full its indebtedness owed to IMCO under the intercompany note, which we pledged to be part of the collateral security for the senior secured notes. The funds paid were deposited in a collateral account held by the trustee under the indenture governing the notes, which permits us for a one-year period to use these funds for acquisitions and construction of assets and properties to be used in substantially all of our domestic business. Any such assets and properties (or other assets and properties) will be added to and form a part of the collateral security for the notes.

Giving effect to the intended use of these funds in the collateral account for additional property and equipment, and to the intercompany note principal payment of $24,002,000 in early February 2004, the amount of cash that VAW-IMCO used to pay this note, plus interest, has been reclassified as restricted cash on our balance sheet as of December 31, 2003.

The indenture governing the new secured notes contains covenants that limit our ability and the ability of our restricted subsidiaries to, among other things, (i) incur additional debt, (ii) make restricted payments, including paying cash dividends or making investments, (iii) sell or dispose of assets, including capital stock of subsidiaries, (iv) engage in sale-leaseback transactions; to create liens on our or our subsidiaries assets, (v) receive distributions; (vi) engage in transactions with affiliates, and (vii) merge or consolidate or sell substantially all of our or our subsidiaries assets.

The new senior secured notes were issued at 99.383% of par, resulting in proceeds of $208,704,000 before debt issuance costs. The effective interest rate on the new secured notes was 10.5% after giving effect to the sales price discount at the date of issue.

Terms of the New Senior Credit Facility

Our new senior secured revolving credit facility replaced our former senior secured revolving credit facility and our former receivables sale facility. On October 6, 2003, we and substantially all of our domestic subsidiaries borrowed $27,959,000 under this new senior credit facility for the purposes described above. The actual amount available for borrowing under this facility is subject to a borrowing base limitation based on eligible domestic inventory and receivables. As of December 31, 2003, we estimate that our borrowing base would have supported additional borrowings of $36,572,000 after giving effect to outstanding borrowings of $32,991,000 and outstanding letters of credit of $7,873,000. As of December 31, 2003, our total borrowing base was approximately $77,436,000.

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The new senior credit facility includes a sublimit of $20,000,000 for letters of credit.

The new senior credit facility will mature in October 2007 with no required principal payments until maturity. We may repay and reborrow any amounts due under this facility prior to the final maturity date.

The new senior credit facility is secured by a first priority lien on all of our and our domestic subsidiaries receivables (and related contract rights, instruments and documents), chattel paper, inventory, general intangibles and certain investment property. Domestic wholly-owned subsidiaries created or acquired by us will be required to guarantee or be jointly and severally liable for the indebtedness under this facility.

Interest on outstanding indebtedness under the new senior credit facility is payable, at our option, at rates per annum equal to: (1) the greater of (x) a base rate equal to PNC Bank, National Association s base commercial lending rate and (y) a federal funds rate, in each case plus an applicable margin spread; or (2) a Eurodollar rate plus an applicable margin spread. Commitment fees based on facility usage will be due quarterly. The applicable margin spread and the per annum percentage used to calculate the unused commitment fee are determined by reference to a pricing schedule, which is based on the undrawn availability under this facility. The applicable margin ranges (a) for base rate and federal funds rate loans, from 75 to 150 basis points, and (b) for Eurodollar loans, from 225 to 300 basis points, depending upon the undrawn availability under the facility. Loans may be prepaid at any time without premium or penalty, other than costs associated with prepayments of Eurodollar advances.

The terms of our new senior credit facility include, among other covenants, (i) prohibitions against incurring certain indebtedness, (ii) limitations on dividends and repurchases of shares of capital stock, and (iii) limitations on capital expenditures, investments and acquisitions. At any time during specified periods (including currently) our undrawn availability under this facility is less than $50,000,000, we will also be required to maintain a minimum fixed coverage ratio and minimum tangible net worth, as follows:

- a minimum fixed charge coverage ratio of 1.0 to 1.0 (calculated based on our parent entity and wholly-owned domestic subsidiaries), and

- a minimum tangible net worth of $44,500,000 plus 50% of future net income on a consolidated basis.

As of December 31, 2003 we were in compliance with all applicable debt covenants.

Other Indebtedness

VAW-IMCO currently has a 12,500,000 Euro (approximately U.S. $15,700,000) revolving line of credit and a 2,500,000 Euro (approximately U.S. $3,100,000) revolving line of credit in place for its working capital purposes. Both of these facilities are scheduled to expire in 2004, but we expect to renew them on similar terms and conditions. As of December 31, 2003, there were no borrowings outstanding under these lines of credit. These loans impose covenants on VAW-IMCO, including financial covenants to maintain minimum net equity, and to satisfy net equity and interest coverage ratios.

As of December 31, 2003, we had $14,405,000 in industrial revenue bond indebtedness outstanding, net of sales price discount. These bonds were issued in three series in 1996, 1997 and 1998 to acquire, construct and install solid waste (landfill) facilities and a salt cake processing plant adjacent to our Morgantown, Kentucky plant. The interest rates on these bonds range from 6.0% to 7.65% per annum. The industrial revenue bonds mature in 2016, 2022 and 2023.

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CONTRACTUAL OBLIGATIONS

We are obligated to make future payments under various contracts such as debt agreements, lease agreements and unconditional purchase obligations. The following table shows our significant contractual cash obligations as of December 31, 2003 (in thousands):

	Cash Payments Due by Period (thousands)				
	Total	**Less than 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Long-term debt obligations (does not include interest)	$ 256,193	$ 26	$ 20	$ 32,991	$ 223,156
Operating lease obligations	5,777	3,459	2,081	237	
Purchase obligations	184,798	125,743	59,055		
Other long-term liabilities reflected on our balance sheet	20,516			762	19,754
Total	$ 467,284	$ 129,228	$ 61,156	$ 33,990	$ 242,910

For further information on long-term debt obligations, see NOTE G LONG-TERM DEBT and NOTE C SALE OF RECEIVABLES of Notes to Consolidated Financial Statements. Operating lease obligations are payment obligations under leases classified as operating. Most leases are for a period of less than 1 year, but many extend for up to 5 years, and are primarily for items used in our manufacturing processes. Our purchase obligations are agreements to purchase goods or services that are enforceable and legally binding on us that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations include the pricing of anticipated metal purchases using metals prices as of December 31, 2003. Other long-term liabilities represent principally accruals for landfill closure costs and pension obligations.

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ENVIRONMENTAL

Our operations, like those of other basic industries, are subject to federal, state, local and foreign laws, regulations and ordinances. These laws and regulations (1) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes and (2) impose liability for costs of cleaning up, and certain damages resulting from past spills, disposals or other releases of hazardous substances. It can be anticipated that more rigorous environmental laws will be enacted that could require us to make substantial expenditures in addition to those described in this Form 10-K. See ITEM 1- BUSINESS ENVIRONMENTAL MATTERS and ITEM 3 - LEGAL PROCEEDINGS.

From time to time, our operations have resulted, or may result, in certain non-compliance with applicable requirements under such environmental laws. However, we believe that any such non-compliance with such environmental laws would not have a material adverse effect on our financial position or results of operations. See NOTE L - COMMITMENTS AND CONTINGENCIES of Notes to Consolidated Financial Statements.

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RISK FACTORS

The occurrence of any of the events described in the risk factors below could materially and adversely affect our financial condition and results of operations.

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IF WE FAIL TO IMPLEMENT OUR BUSINESS STRATEGY, OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED.

Our future financial performance and success are dependent in large part upon our ability to successfully implement our business strategy. We cannot assure you that we will be able to successfully implement our business strategy or be able to improve our operating results. In particular, we cannot assure you that we will be able to increase capacity utilization of our aluminum and zinc recycling plants, continue to pursue a disciplined growth strategy, leverage existing customer relationships to drive international expansion, capitalize on the increasing use of aluminum in the transportation market, increase productivity and reduce costs, minimize commodity price risks and maintain environmental efficiencies.

Furthermore, we cannot assure you that we will be successful in our growth efforts or that we will be able to effectively manage expanded or acquired operations. Our ability to achieve our expansion and acquisition objectives and to effectively manage our growth depends on a number of factors, including:

- our ability to identify appropriate acquisition targets and to negotiate acceptable terms for their acquisition;
- our ability to integrate new businesses into our operations; and
- the availability of capital on acceptable terms.

We are regularly in the process of evaluating and may, from time to time in the future, evaluate the acquisition of assets or operations that complement our existing businesses. We cannot estimate what impact, if any, our acquisition of these assets or operations may have on our business or our business strategy.

Our business strategy may require additional funding which may be provided in the form of additional debt, equity financing or a combination thereof. We cannot assure you that we will be permitted under the terms of our new senior credit facility or the notes to obtain such financing.

Implementation of our business strategy could be affected by a number of factors beyond our control, such as increased competition, legal developments, general economic conditions or increased operating costs. Any failure to successfully implement our business strategy could materially and adversely affect our financial condition and results of operations. We may, in addition, decide to alter or discontinue certain aspects of our business strategy at any time.

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THE CYCLICAL NATURE OF THE METALS RECYCLING INDUSTRY AND OF OUR CUSTOMERS INDUSTRIES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATING FLEXIBILITY, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The metals industry in general is highly cyclical in nature. It tends to reflect and be amplified by general economic conditions, both domestically and abroad. Historically, in periods of recession or periods of minimal economic growth, the operations of metals companies have been adversely affected. We are particularly sensitive to trends in cyclical industries such as the automotive and construction industries. Automotive sales and production are seasonal and highly cyclical and depend on general economic conditions and other factors. For example, during recessions or periods of low growth, the automobile and construction industries typically experience major cutbacks in production, resulting in decreased demand for aluminum, zinc and steel. This leads to significant fluctuations in demand and pricing for our products and services. Because we generally have high fixed costs, our profitability is significantly affected by decreased processing volume; accordingly, reduced demand and pricing pressures will adversely affect our financial condition and results of operations.

During recent periods, a number of our domestic aluminum processing facilities have been operating at reduced rates of plant utilization. During the second half of 2003, we provisionally suspended operations at our Rockwood, Tennessee aluminum processing facility and permanently closed our Wendover, Utah plant due to reduced demand for aluminum recycling services there. Economic downturns in the national and international economies or events having an adverse effect on the aluminum and zinc recycling industries in general, or on our markets in particular, could have a material adverse effect on our financial condition and results of operations.

ASSETS AND OPERATIONS THAT WE ACQUIRE MAY BE DIFFICULT TO INTEGRATE, DISRUPT OUR BUSINESS AND DIVERT MANAGEMENT ATTENTION.

A key component of our current business strategy is to selectively seek assets and operations that complement our existing businesses. There can be no assurance that we will be successful in locating or entering into any strategic alliances or acquisitions, or that any completed transaction will achieve the expected benefits. In addition, any such transaction may result in unexpected costs, expenses and liabilities.

Our ability to achieve our expansion and acquisition objectives will also depend on the availability of capital on acceptable terms. The combined businesses resulting from any acquisition may not be able to generate sufficient operating cash flows in order for us to obtain additional financing or fund our business and expansion strategy.

Acquisitions expose us to:

- increased costs associated with the acquisition and operation of the new businesses and the management of geographically dispersed operations;

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- risks associated with the assimilation of new technologies, operations, sites and personnel;
- the possible loss of key employees;
- risks that any operations or technology we acquire may not perform as well as we had anticipated;
- the diversion of management s attention and other resources from existing business concerns;
- the potential inability to replicate operating efficiencies in the acquired company s operations;
- the potential inability to generate sufficient revenues to offset associated acquisition costs;
- the increased need to maintain uniform standards, controls, and procedures; and
- the potential impairment of relationships with employees and customers as a result of integration of new personnel.

The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified potential acquisitions. Integration of acquired businesses require significant efforts from each entity, including coordinating existing business plans and operational procedures. If we are unable to successfully integrate the operations of acquired businesses, our future results will be negatively impacted.

Acquisitions may also result in the issuance of dilutive equity securities, the incurrence or assumption of additional debt and additional expenses associated with the amortization of acquired intangible assets or potential businesses. There is no assurance that any future acquisitions will generate additional income or cash flows, or provide any benefit to our existing or future businesses.

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WE MAY ENCOUNTER INCREASES IN THE COST OF RAW MATERIALS AND ENERGY, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We require substantial amounts of raw materials and energy in our business, consisting principally of aluminum and zinc scrap and natural gas. Any substantial increases in their costs could adversely affect our financial condition and results of operations.

Metallics (aluminum and zinc scrap and dross) represent the largest component of our cost of sales. The availability and price of scrap depend on a number of factors outside our control, including general economic conditions, foreign demand for metallics and internal recycling activities by primary aluminum producers. Increased domestic and worldwide demand for aluminum and zinc scrap have had and will continue to have the effect of increasing the prices that we pay for these raw materials thereby increasing our cost of sales. We often cannot adjust the selling prices for our 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, our financial condition and results of operations would be adversely affected.

Natural gas costs represent the third largest component of our cost of sales (after labor costs). The price of natural gas can be particularly volatile. For instance, in the third quarter of 2003, NYMEX natural gas prices declined slightly after increasing by approximately 50% in the first quarter of 2003. We purchase the majority of our natural gas on a spot-market basis.

As a result, our natural gas costs may fluctuate dramatically, and we may not be able to mitigate the effect of higher natural gas costs on our cost of sales. If natural gas prices remain at current levels or increase further, our financial condition and results of operations may be adversely affected.

Increased energy prices may also adversely affect our customers, which in turn affects demand for our services. For example, since 2001 we have experienced a sharp reduction in demand for our 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.

DECREASED OUTSOURCING OF ALUMINUM RECYCLING BY THE PRIMARY ALUMINUM PRODUCERS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The primary aluminum producers, some of which are our largest customers, have generally elected in recent years to outsource the processing of their scrap and dross under tolling arrangements and focus their resources on other aspects of aluminum production. However, these producers are capable of

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processing their own scrap and dross and vary the amount of their internal recycling depending upon furnace availability, inventory levels, the price of aluminum, their own internal demand for metal and other factors. In particular, the primary producers have historically decreased their outsourcing in times of lower overall demand for aluminum. In addition, in some instances some of these producers have expanded their aluminum recycling capacity. Decreased outsourcing or increases in internal recycling capacity by primary producers could reduce demand for our recycling services and have a material adverse effect on our financial condition and results of operations. For instance, we have recently experienced decreased utilization rates at some of our operations and have provisionally suspended some of our operations due to increased internal recycling by a primary producer of aluminum.

A DOWNTURN IN PRODUCTION IN THE AUTOMOTIVE OR LIGHT TRUCK MARKETS IN THE U.S. AND EUROPE, OR A DECREASE IN THE USE OF ALUMINUM IN THOSE MARKETS, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The majority of our specialty alloys business serves the automotive and light truck markets. The volume of automotive and light truck production in North America, Europe and the rest of the world has fluctuated, sometimes significantly, from year to year, giving rise to fluctuations in demand for aluminum. Several automotive and light truck manufacturers extended their seasonal shutdowns at certain of their manufacturing facilities and reduced their production levels, and some announced during the second half of 2003 that they intended to continue operating at reduced production levels, which affected our business. In addition, automotive and light truck production and sales can be affected by labor relations, regulatory requirements and trade agreements. Reductions in the rate of automobile or light truck production in the markets we serve, or in the level of aluminum used in automobile or light truck production, could have a material adverse effect on our financial condition and results of operations. Additionally, plant shutdowns, strikes and work stoppages at our automotive or light truck customers facilities may adversely affect our business.

CONTINUING DECREASES IN THE U.S. ALUMINUM CAN RECYCLING RATE AND A LACK OF GROWTH IN U.S. ALUMINUM CAN PRODUCTION COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

U.S. aluminum can recycling rates have decreased from approximately 62% in 1995 to approximately 54% in 2002. Continuing deterioration in the U.S. aluminum can recycling rate and a lack of growth in aluminum can production has slowed demand in recent years for our aluminum recycling services, which in turn has contributed to a decline in our percentage of tolling activities relative to our total volumes processed. If this trend continues, our capacity utilization will continue to decline and we will become increasingly exposed to asset write-downs and similar impairment charges. If capacity utilization is permanently impaired, we may be required to write down the net book value of some of our fixed assets. Furthermore, since much of our aluminum can recycling business is tolling business, a continued decline in the U.S. aluminum can recycling rate will have the effect of increasing our exposure to aluminum price fluctuations and our working capital requirements that will be required for our increased levels of product sales.

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IF WE LOST ORDER VOLUMES FROM ANY OF OUR LARGEST CUSTOMERS, OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED.

Our business is exposed to risks related to customer concentration. In 2003, our 10 largest customers were responsible for 36% of our net revenues. General Motors was our largest customer in 2002, accounting for 11% of our consolidated revenues. A loss of order volumes from, or a loss of market share by, any major customer could materially and adversely affect our financial condition and results of operations. In addition, our 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 ours. In such cases, the loss of such a customer, or the reduction of that customer s business with one or more of our facilities, could have a material adverse effect on our financial condition and results of operations, and any timely replacement of volumes could prove difficult. In addition, several of our customers have become involved in bankruptcy or insolvency proceedings and have defaulted on their obligations to us in recent years, which has adversely affected our financial condition and results of operations.

PRIMARY METALS PRICES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We purchase aluminum and zinc scrap and dross from our customers and on the open market for processing as part of our product sales business. We then sell recycled aluminum and zinc products to our customers based on a price which generally fluctuates with the market price of the primary metal. Accordingly, changes in the market price of primary aluminum and zinc impact the selling prices of our products. In particular, depressed prices adversely affect our business, particularly our zinc business, given our relatively high fixed costs and market differences between the price of scrap and the selling price of our products.

The market prices of aluminum and zinc are dependent upon supply and demand and a variety of factors over which we 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;
- import and export restrictions; and

other factors.

In recent years, aluminum and zinc prices have remained depressed longer than expected relative to historical levels, which has adversely affected our results of operations. If the prices of aluminum and zinc do not improve, our financial condition and results of operations could be adversely affected.

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WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY IN THE MARKETS WE SERVE, WHICH COULD REDUCE OUR MARKET SHARE AND HAVE A MATERIAL ADVERSE EFFECT ON OUR SELLING PRICES AND SALES VOLUMES.

The aluminum and zinc markets are highly competitive. The global aluminum recycling market is highly fragmented and characterized by smaller, regional operators. The principal factors of competition in our aluminum business include price, metal recovery rates, proximity to customers, molten metal delivery capability, environmental and safety regulatory compliance and types of services offered. The U.S. zinc recycling market is concentrated among a small number of competitors. The principal factors of competition in our zinc business are price, customer service and high product quality. We may not be able to compete successfully with respect to any of the foregoing factors.

Additional competition could result in lost market share or reduced prices, either of which could have a material adverse effect on our financial condition and results of operations. In addition, because we do not have long-term arrangements with many of our customers, these competitive factors could cause our customers to shift to other suppliers quickly.

A GROWING PORTION OF OUR SALES HAS BEEN DERIVED FROM OUR INTERNATIONAL OPERATIONS, WHICH EXPOSES US TO CERTAIN RISKS INHERENT IN DOING BUSINESS ABROAD.

We currently have operations in countries outside the United States and in emerging markets, including Mexico and Brazil, and we plan to continue to expand our international operations. Our foreign operations are generally 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;
- inflation;
- currency restrictions and limitations on repatriation of profits;
- divergent environmental laws and regulations; and

political, economic and social instability.

The occurrence of any of these events could have a material adverse effect on our financial condition and results of operations.

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The financial condition and results of operations of some of our operating entities are reported in foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in our consolidated financial statements. As a result, generally speaking, appreciation of the U.S. dollar against these foreign currencies will have a negative impact on our 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, our German and Brazilian operations were positively impacted during 2003 due to the strengthening of the Euro and Brazilian Real against the U.S. dollar. We have not generally sought to mitigate this translation effect through the use of derivative financial instruments.

THE COST OF COMPLIANCE WITH AND LIABILITIES UNDER ENVIRONMENTAL, HEALTH AND SAFETY LAWS COULD MATERIALLY AND ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our operations are subject to numerous federal, state, local and foreign environmental requirements, which govern, among other things, the discharge of hazardous materials into the air and water, the handling, storage, and disposal of hazardous materials and the remediation of contaminated sites. Compliance with environmental requirements is a major aspect of our operations. At present, the majority of our environmental compliance expenditures are directed toward controlling air emissions from all of our operations and managing and disposing of salt cake from our aluminum recycling. Changes in environmental requirements could materially increase our costs. For example, if salt cake were to become classified as a hazardous waste in the United States, our costs to manage and dispose of it would increase. Our operations also require environmental permits and approvals from governmental authorities, and any of these permits and approvals are subject to denial, revocation, or modification under various circumstances. Failure to obtain or comply with these permits and approvals, or with other environmental requirements, may subject us to civil or criminal enforcement proceedings that can lead to fines and penalties against us, orders requiring us to take certain actions, and temporary or permanent shutdown of our affected operations. We have implemented practices and procedures at our operating facilities that are intended to promote compliance with environmental laws and regulations. However, we cannot assure you that we are at all times in compliance with all environmental requirements.

Because we generate waste materials in our operations, and because we and businesses and operations we have acquired have done so in the past (in some cases for many years), we may be subject to material liability arising out of conditions caused by these materials. Such liability can include the cost of investigating and cleaning up these materials, 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 types of 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 types of damages regardless of whether the person causing the damages did so through any unlawful conduct or other fault. We do not carry environmental impairment liability insurance because we consider that insurance to be expensive relative to the coverage provided.

We are also subject to various federal, state, local and foreign requirements concerning safety and health conditions in our manufacturing facilities. Those requirements may also subject us to material financial penalties or liabilities for non-compliance, as well as potential business disruption if any of our facilities or a portion of any facility is required to be temporarily closed as a result of any violation of those requirements. Any such financial liability or business disruption could have a material adverse effect on our financial condition and results of operations.

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We spend substantial capital and operating sums on an ongoing basis to comply with environmental requirements. In addition, we are currently involved in certain investigations and actions in connection with environmental compliance and prior disposals of solid waste, including a claim related to a site in Illinois for which the Illinois Environmental Protection Agency has asserted that two of our zinc subsidiaries, which sent zinc oxide in the past to the site for processing and resale, are among the entities potentially responsible for the site-cleanup. Estimating future environmental compliance and remediation costs and other environmental liabilities is imprecise due to the continuing evolution of environmental requirements and uncertainties about their application to our operations, the availability and applicability of technology and the allocation of costs among responsible parties. New environmental requirements, enforcement policies or legal proceedings, an environmental incident at one of our properties or operations, or the discovery of an additional environmental condition or new information about existing conditions, could all have a material adverse effect on our financial condition and results of operations.

OUR BUSINESS REQUIRES SUBSTANTIAL CAPITAL INVESTMENTS, MAINTENANCE EXPENDITURES AND CONTRACTUAL COMMITMENTS THAT WE MAY BE UNABLE TO FULFILL.

Our operations are capital intensive. Our total capital expenditures were $20,807,000 and $19,313,000 for 2003 and 2002, respectively. We expect to spend approximately $25,000,000 on capital expenditures during 2004. Our business also requires substantial expenditures for routine maintenance and non-capital environmental expenditures.

As of December 31, 2003, in addition to our debt obligations, we had contractual obligations of approximately $211,091,000 payable over time as described under ITEM 7 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTRACTUAL OBLIGATIONS. As of December 31, 2003, we had contingent obligations outstanding consisting of indemnity obligations under surety bonds and letters of credit being used for financial assurance purposes, totaling approximately $7,873,000. Additionally, domestic and foreign environmental requirements may impose liability for costs of investigation and clean-up, regardless of fault or the legality of the original disposal. Clean-up costs could be substantial and could have a material adverse effect on our financial condition and results of operations.

Our business may not generate sufficient operating cash flow and our external financing sources may not be available in an amount sufficient to enable us to make anticipated capital expenditures, service or refinance our indebtedness or fund other liquidity needs. If we are unable to make upgrades or purchase new plant and equipment, our financial condition and results of operations could be materially and adversely affected.

WE MAY HAVE TO TAKE FURTHER CHARGES TO EARNINGS IF OUR GOODWILL OR ASSET VALUES ARE IMPAIRED.

We are required to test our goodwill for impairment at least annually. The difference between the book value of an asset and its market value may indicate that an impairment exists.

In addition, our landfill assets are subject to charges for asset retirement obligations, which are adjusted over time to recognize the current fair market value of the obligations. We are also subject to charges for impairment or disposal of certain of our long-lived assets and facilities. For instance, over the past three years, we have closed two aluminum recycling facilities and one zinc recycling facility,

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provisionally suspended operations at another aluminum recycling facility and reduced the number of furnaces we operate at other domestic facilities. Continued under-utilization at our domestic aluminum facilities could result in write-downs and impairment charges. In addition, the carrying value of certain of our properties and assets held for sale could be reduced in the future to their estimated fair values less costs to sell, resulting in additional asset impairment charges at that time.

WE DO NOT HAVE LONG-TERM CONTRACTUAL ARRANGEMENTS WITH A SUBSTANTIAL NUMBER OF OUR CUSTOMERS AND WE MAY BE ADVERSELY AFFECTED IF OUR CUSTOMERS SWITCH SUPPLIERS.

A substantial number of our customers do not have a long-term contractual arrangement with us. These customers purchase products and services from us on a purchase order basis and can cease doing business with us at any time and for any reason. We cannot assure you that these customers will continue to purchase our products and services. The loss of these customers or a significant reduction in their purchase orders could reduce our market share and have a material adverse effect on our sales volume and our business.

WE COULD EXPERIENCE LABOR DISPUTES THAT COULD DISRUPT OUR BUSINESS.

Approximately 13% of our domestic employees and 53% of our 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 we believe that we will successfully negotiate new collective bargaining agreements when our other 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.

We can give no assurance that such labor negotiations will conclude successfully or that any work stoppage or labor disturbances will not occur. Any such work stoppages or labor disturbances may have a material adverse effect on our financial condition and results of operations.

OUR VARIABLE RATE INDEBTEDNESS SUBJECTS US TO INTEREST RATE RISK, WHICH COULD CAUSE OUR DEBT SERVICE OBLIGATIONS TO INCREASE SIGNIFICANTLY.

Borrowings under our new senior credit facility will be at variable rates of interest and will expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase and our net income would decrease. In addition, we may consider entering into fixed-to-floating interest rate swaps with respect to a portion of the debt represented by the notes offered hereby. Such a transaction would increase our variable rate debt.

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THE LOSS OF CERTAIN MEMBERS OF OUR SENIOR MANAGEMENT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our success depends, in part, on the efforts of our 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 we lose or suffer an extended interruption in the services of one or more of our senior officers, our financial condition and results of operations may be adversely affected. Moreover, the market for qualified individuals may be highly competitive and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise.

OUR SIGNIFICANT DEBT OBLIGATIONS COULD LIMIT OUR FLEXIBILITY IN MANAGING OUR BUSINESS AND EXPOSE US TO CERTAIN RISKS.

We are highly leveraged. As of December 31, 2003, we would have been able to incur an additional $36,572,000 under our new senior credit facility. Whenever during specified periods (including currently), our availability under this facility is less than $50,000,000, we are subject to a minimum fixed charge coverage ratio and a minimum tangible net worth covenant. In addition, we may be permitted under our new senior credit facility and the indenture governing the senior secured notes to incur additional debt, subject to certain limitations. Our high degree of leverage may have important consequences including the following:

- we may have difficulty satisfying our obligations under the notes or other indebtedness and, if we fail to comply with these requirements, an event of default could result;
- we may be required to dedicate a substantial portion of our cash flow from operations to required payments on indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate activities;
- covenants relating to our debt may limit our ability to obtain additional financing for working capital, capital expenditures and other general corporate activities;
- covenants relating to our debt may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- we may be more vulnerable to the impact of economic downturns and adverse developments in our business; and
- we may be placed at a competitive disadvantage against any less leveraged competitors.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects and ability to satisfy our debt obligations.

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WE MAY NOT BE ABLE TO GENERATE SUFFICIENT CASH FLOWS TO MEET OUR DEBT SERVICE OBLIGATIONS.

Our ability to make scheduled payments on, or to refinance our obligations with respect to our indebtedness, including the notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations or that future sources of capital will be available to us (whether under our new senior credit facility or otherwise) in an amount sufficient to enable us to service our indebtedness and fund our other liquidity needs.

If we are unable to generate sufficient cash flows to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, would materially and adversely affect our financial condition and results of operations.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of its business, we are exposed to potential losses arising from changes in the price of aluminum, zinc and natural gas. Changes in currency values and the level of interest rates also expose our company to potential losses. We use derivative instruments, such as futures, options, swaps and interest rate caps to manage the effect of such changes. See NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of Notes to Consolidated Financial Statements.

Risk Management. All derivative contracts are held for purposes other than trading, and are used primarily to mitigate uncertainty and volatility and cover underlying exposures. Our commodity and derivative activities are subject to the management, direction and control of our company s Risk Management Committee, which is composed of our chief executive officer, chief financial officer, and other officers and employees that the chief executive officer designates. The Risk Management Committee reports to our company s Board of Directors, which has supervisory authority over all of its activities.

Counter-parties. Our company is exposed to losses in the event of non-performance by the counter-parties to the derivative contracts discussed below. Although non-performance by counter-parties is possible, we do not currently anticipate any non-performance by any of these parties. Counter-parties are evaluated for creditworthiness and risk assessment prior to our initiating contract activities. The counter-parties creditworthiness is then monitored on an ongoing basis, and credit levels are reviewed to ensure that there is not an inappropriate concentration of credit outstanding to any particular counter-party.

Metal Commodity Price Risk. Aluminum and zinc ingots are internationally produced, priced, and traded commodities, with their principal trading market being the London Metal Exchange. As part of our efforts to preserve margins, we enter into futures and options contracts. In our domestic aluminum and zinc segments, unrealized future gains and losses on these futures and options contracts qualify for deferred treatment SFAS 133 Accounting for Derivative Instruments and Hedging Activities, and SFAS 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities.

Overview of Domestic Aluminum and Zinc Deferred Metal Hedging Activities. As of December 31, 2003, we had a net deferred gain of approximately $1,595,000 ($988,000 net of tax) on our domestic aluminum and zinc metal hedging activities. As of December 31, 2002, we had a net deferred loss of approximately $1,069,000 ($663,000 net of tax) on our domestic aluminum and zinc metal hedging activities. The majority of the change from year-end 2002 to year-end 2003 is due to our zinc forward purchases, which have moved from a deferred loss position to a deferred gain position, mostly resulting from the rise in the price of zinc towards the end of 2003.

Domestic Aluminum. We enter into futures sale contracts with metal brokers to fix the margin on a portion of the aluminum generated by our salt cake processing facility in Morgantown, Kentucky and some of the aluminum generated for sale from the processing of other scrap metal. These futures sale

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contracts are settled in the month of shipment.

Our deferred domestic aluminum hedging positions are summarized below:

As of December 31, 2003:

	Metric tonnes	Unrealized (deferred) gain (loss)	Unrealized (deferred) gain (loss) net of tax
Forward Sales in 2004	(1,420)	$ (117,000)	$ (73,000)
Forward Purchases in 2004	5,720	376,000	233,000
Net notional amount	4,300	$ 259,000	$ 160,000

As of December 31, 2002:

	Metric tonnes	Unrealized (deferred) gain (loss)	Unrealized (deferred) gain (loss) net of tax
Forward Sales in 2003	(6,215)	$ 22,000	$ 13,000
Forward Purchases in 2003	2,785	22,000	14,000
Net notional amount	(3,430)	$ 44,000	$ 27,000

In 2003, 2002 and 2001, our domestic aluminum revenue was lower by $185,000, $421,000 and $923,000, respectively, for settled metal hedging contracts. The impact of a 10% change in the December 31, 2003 LME price of aluminum ingot would not be material to our estimated gross profit for the year ending December 31, 2004.

Zinc. In the normal course of business, we enter into fixed-price forward sales and purchase contracts with a number of our zinc customers. In order to hedge the risk of higher metal prices, we enter into long positions, principally using future purchase contracts. These contracts are settled in the month of the corresponding production or shipment.

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Our deferred zinc hedging positions are summarized below:

As of December 31, 2003:

	Metric tonnes	Unrealized (deferred) gain (loss)	Unrealized (deferred) gain (loss) net of tax
Forward Sales in 2004	(4,075)	$ (349,000)	$ (217,000)
Forward Purchases in 2004	10,227	1,571,000	974,000
Net notional amount	6,152	$ 1,222,000	$ 757,000
Grand total, all periods going forward:			
Grand total forward sales, 2004 and beyond	(4,075)	$ (349,000)	$ (217,000)
Grand total forward purchases, 2004 and beyond	10,972	1,685,000	1,045,000
Net notional amount	6,897	$ 1,336,000	$ 828,000

As of December 31, 2002:

	Metric tonnes	Unrealized (deferred) gain (loss)	Unrealized (deferred) gain (loss) net of tax
Forward Sales in 2003	(2,400)	$ 132,000	$ 82,000
Forward Purchases in 2003	17,168	(1,170,000)	(726,000)
Net notional amount	14,768	$ (1,038,000)	$ (644,000)
Grand total, all periods going forward:			
Grand total forward sales, 2003 and beyond	(2,400)	$ 132,000	$ 82,000
Grand total forward purchases, 2003 and beyond	18,827	(1,245,000)	(772,000)
Net notional amount	16,427	$ (1,113,000)	$ (690,000)

In 2003, 2002 and 2001 our zinc revenue was lower by $343,000, $2,117,000 and $3,785,000 respectively, due to settled zinc metal hedging contracts. The impact of a hypothetical 10% change in the December 31, 2003 LME price of zinc ingot would be material to our estimated gross profit for the year ending December 31, 2004. At this time, we estimate a hypothetical 10% increase in the price of zinc would increase our gross profits for 2004 by about $2,400,000.

Aluminum VAW-IMCO. For most of 2003, VAW-IMCO had its own hedging program in operation that was functionally independent from ours. The majority of VAW-IMCO s operations are product sales, requiring it to take ownership of the materials processed and exposing it to more risk to changes in metal prices. To mitigate this risk, VAW-IMCO enters into LME high-grade and alloy aluminum forward sales and purchase contracts. VAW-IMCO does not hold or issue any derivative financial instruments for trading purposes. The functional currency of VAW-IMCO is the Euro; however, the derivatives utilized in hedging the market risk of changing prices of aluminum purchases and sales at VAW-IMCO s facilities are based in U.S. Dollars. This results in foreign currency risk in addition to the risk of changing aluminum prices.

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Unlike the derivative contracts utilized throughout the rest of our hedging operations, the unrealized gains and losses on VAW-IMCO s derivative contracts do not qualify for deferred treatment under SFAS 133, Accounting for Derivatives and Hedging Activities. VAW-IMCO s derivative contracts are recorded at fair value with unrealized gains and losses recognized currently in the financial statements. VAW-IMCO s metal hedging positions are summarized below:

As of December 31, 2003:

U.S. Dollar denominated hedges	Metric tonnes	Contract Value, U.S. Dollars
Forward Sales in 2004	500	$ 747,000
Forward Purchases in 2004	1,500	2,154,000
Total	2,000	$ 2,901,000

Euro denominated hedges	Metric tonnes	Contract Value, U.S. Dollars
Forward Sales in 2004	13,950	$ 22,583,000
Forward Purchases in 2004	24,925	40,445,000
Total	38,875	$ 63,028,000

The total effect of VAW-IMCO s metal hedging activities on our cost of goods sold is as follows:

	For the year ended December 31, 2003
VAW-IMCO losses from metal hedging activities, included in cost of sales	$ 1,479,000

The impact of either a 10% increase in the December 31, 2003 LME price of aluminum or a 10% increase in the value of the U.S. Dollar against the Euro would be material to our estimated gross profit. As of December 31, 2003 we estimate that a 10% increase in the LME price of aluminum, holding currency rates constant, would increase our gross profits by $1,900,000. Separately, for the same period, we also estimate that a 10% increase in the value of the U.S. Dollar against the Euro, holding metal prices constant, would increase our gross profits by $1,600,000.

Natural Gas. Natural gas is the principal fuel used in our processing of aluminum and zinc. Natural gas prices are volatile, and we attempt to manage this volatility through the use of derivative commodity instruments. Our natural gas financial derivatives are traded in months forward, and settlement dates are scheduled to coincide with gas purchases during those future periods. These contracts reference physical natural gas prices or appropriate NYMEX futures contract prices.

We have entered into forward pricing positions for a portion of our domestic natural gas requirements for 2004. We currently have contracts in place to cover about 41% of our natural gas requirements for the succeeding twelve months.

Under the terms of our natural gas swap contracts, we make or receive payments based on the difference between the month-end closing price on the NYMEX and the fixed price agreed to in the swap contracts. The impact of a 10% change in the December 31, 2003 NYMEX

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closing price would be material to our estimated gross profit for the next twelve months. We estimate that a 10% increase in the price of natural gas, as of December 31, 2003, would decrease our estimated gross profits for the year 2004 by approximately $1,900,000. For the twelve month periods ended December 31, 2003, 2002 and 2001 natural gas hedging activities increased (decreased) cost of goods sold by the following amounts: ($3,401,000) $3,105,000 and $2,173,000, respectively.

In addition, a portion of our natural gas cost is recovered through price escalation clauses in our long-term contracts.

Our natural gas hedging activities are summarized in the table below:

	At December 31,		
	2003	**2002**	**2001**
Amount of natural gas hedged, at year-end, MMBTU s	2,910,000	1,660,000	5,460,000
Deferred gain (loss)	$ 1,537,000	$ 2,081,000	$ (5,339,000)
Deferred gain (loss) net of tax	$ 953,000	$ 1,290,000	$ (3,364,000)

	For the year ended December 31,		
	2003	**2002**	**2001**
Effect of natural gas hedging activities on cost of goods sold increase (decrease)	$ (3,401,000)	$ 3,105,000	$ 2,173,000

Our international aluminum segment had no natural gas hedging activities for the year ended December 31, 2003.

Interest. We have historically funded our operations from our existing credit facilities. Our former senior credit facility bore interest at a variable rate; accordingly, approximately 88% of our outstanding long-term debt as of September 30, 2003 accrued interest at floating rates related to LIBOR plus a margin. As of December 31, 2003, after giving effect to the senior secured notes issuance and the establishment of the new senior credit facility, approximately 13% of our debt was at floating rates.

Our earnings are affected by changes in interest rates due to the impact those changes have on our interest expense from variable-rate debt instruments. If interest rates increased 10% from the rates prevailing as of December 31, 2003, interest expense for the next twelve months would increase by approximately $130,000. These amounts are determined by considering the impact of hypothetical interest rates on our variable-rate long-term debt outstanding as of December 31, 2003.

In addition, we may enter into fixed-to-floating interest rate swaps with respect to a portion of the indebtedness represented by the new secured notes issued in October 2003. Such a transaction would increase our variable rate debt. We did not enter into any interest rate swaps or similar financial risk contracts during 2003 or have any outstanding as of December 31, 2003.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in market interest rates. With respect to our fixed-rate long-term debt outstanding at December 31, 2003, a 10% decline in market interest rates would have resulted in an increase to the

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fair value of our fixed-rate long-term debt of approximately $11,320,000. The fair values of our long-term debt were estimated using discounted future cash flows based on our incremental borrowing rates for similar types of borrowing arrangements.

Foreign Currency.

We are increasingly subject to exposure from fluctuations in foreign currencies. When we consider it appropriate, we will utilize foreign currency exchange contracts to hedge the variability in cash flows from forecasted payment or receipts of currencies. However, no significant contracts were entered into during 2003, or were outstanding at December 31, 2003. Generally, we have not typically sought to mitigate foreign currency translation effects through the use of derivative instruments.

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ITEM 8. **FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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IMCO RECYCLING INC. AND SUBSIDIARIES

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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REPORT OF INDEPENDENT AUDITORS

Stockholders and

Board of Directors

IMCO Recycling Inc.

We have audited the accompanying consolidated balance sheets of IMCO Recycling Inc. and subsidiaries as of December 31, 2003 and December 31, 2002, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of VAW-IMCO Guß und Recycling GmbH (VAW-IMCO), (currently a wholly-owned corporation in which the Company, as of March 1, 2003, acquired the remaining 50% interest), for the year ended December 31, 2001 have been audited by other auditors whose report has been furnished to us; in so far as our opinion on the Company consolidated financial statements for the year ended December 31, 2001 relates to data included for VAW-IMCO, it is based solely on their report. In the consolidated financial statements the Company s equity in the net income of VAW-IMCO is stated at $3,057,000 for the year ended December 31, 2001.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors as discussed above, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMCO Recycling Inc. and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note P of the Notes to Consolidated Financial Statements, effective January 1, 2002, the Company changed its method of accounting for goodwill and other intangibles as required by the Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets.

/s/ Ernst & Young LLP

March 5, 2004

Dallas, Texas

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Note:

This report is a copy of the previously issued Arthur Andersen accountants report

This report has not been reissued by Arthur Andersen

Report of Independent Public Accountants

To the Shareholders and

Board of Directors of VAW-IMCO Guss und Recycling GmbH:

We have audited the accompanying balance sheets of VAW-IMCO Guss und Recycling GmbH (a limited liability corporation, Gravenbroich, Germany) as of December 31, 2001 and 2000, and the related statements of income, shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VAW-IMCO Guss und Recycling GmbH as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft mbH

/s/ Gerd Lützeler /s/ Marcus Senghaas

Cologne, Germany

January 25, 2002

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IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31,	
	2003	2002
ASSETS		
Current Assets		
Cash and cash equivalents	$ 14,760	$ 6,875
Accounts receivable (net of allowance of $1,228 and $1,205 at December 31, 2003 and 2002, respectively)	112,128	24,501
Inventories	78,270	42,730
Deferred income taxes	11,229	3,355
Other current assets	12,382	13,210
Total Current Assets	228,769	90,671
Property and equipment, net	219,668	187,451
Goodwill	69,049	51,118
Other long-term asset, restricted cash	24,846	
Investments in joint ventures	976	17,467
Other assets, net	13,209	4,703
	$ 556,517	$ 351,410
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 96,207	$ 77,682
Accrued liabilities	30,955	18,589
Notes payable		7,420
Current maturities of long-term debt	26	94,075
Total Current Liabilities	127,188	197,766
Long-term debt	256,167	14,550
Deferred income taxes	20,390	10,883
Other long-term liabilities	25,244	11,347
STOCKHOLDERS EQUITY		
Preferred stock; par value $.10; 8,000,000 shares authorized; none issued		
Common stock; par value $.10; 40,000,000 shares authorized; 17,155,211 issued at December 31, 2003; 17,142,404 issued at December 31, 2002	1,716	1,714
Additional paid-in capital	103,264	103,958
Deferred stock compensation	(4,153)	(3,099)
Retained earnings	51,189	46,218
Accumulated other comprehensive loss	(4,825)	(9,830)
Treasury stock, at cost; 1,843,403 shares at December 31, 2003; 2,049,941 shares at December 31, 2002	(19,663)	(22,097)
Total Stockholders Equity	127,528	116,864

	$ 556,517	$ 351,410

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	For the Year Ended December 31,		
	2003	**2002**	**2001**
Revenues	$ 892,015	$ 687,168	$ 689,337
Cost of sales	837,428	640,696	656,013
Gross profits	54,587	46,472	33,324
Selling, general and administrative expense	38,242	26,549	22,686
Amortization expense			4,299
Fees on receivables sale	843	1,698	3,372
Interest expense	15,806	9,727	11,038
Other (income) expense net	(4,017)	(367)	(301)
Equity in net (earnings) loss of affiliates	(789)	(2,403)	(3,131)
Earnings (loss) before income taxes, minority interest, and cumulative effect of accounting change	4,502	11,268	(4,639)
Provision for (benefit from) income taxes	(1,029)	3,843	(2,243)
Earnings (loss) before minority interests and cumulative effect of accounting change	5,531	7,425	(2,396)
Minority interests, net of provision for income taxes	560	561	326
Earnings (loss) before cumulative effect of accounting change	4,971	6,864	(2,722)
Cumulative effect of accounting change (after tax benefit of $7,132)		(58,730)	
Net earnings (loss)	$ 4,971	$ (51,866)	$ (2,722)
Net earnings (loss) per common share:			
Basic before accounting change	$ 0.34	$ 0.47	$ (0.18)
Cumulative effect of accounting change		(4.04)	
Basic earnings (loss) per share	$ 0.34	$ (3.57)	$ (0.18)
Diluted before accounting change	$ 0.33	$ 0.47	$ (0.18)
Cumulative effect of accounting change		$ (4.01)	$
Diluted earnings (loss) per share	$ 0.33	$ (3.54)	$ (0.18)
Weighted average shares outstanding:			
Basic	14,473	14,548	14,978
Diluted	15,011	14,655	14,978

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

	For the year ended December 31,		
	2003	**2002**	**2001**
OPERATING ACTIVITIES			
Earnings (loss) before accounting change	$ 4,971	$ 6,864	$ (2,722)
Depreciation and amortization	33,627	23,646	29,197
Provision for (benefit from) deferred income taxes	(3,851)	(962)	2,106
Equity in earnings of affiliates	(789)	(2,403)	(3,131)
Other non-cash charges, including gain on extinguishment of debt	349	5,095	3,390
Changes in operating assets and liabilities:			
Accounts receivable	11,313	2,118	19,024
Accounts receivable sold	(61,300)	(4,000)	(24,700)
Inventories	(12,639)	(3,514)	18,367
Other current assets	726	(3,390)	2,869
Accounts payable and accrued liabilities	19,341	14,989	(23,397)
Net cash from (used by) operating activities	(8,252)	38,443	21,003
INVESTING ACTIVITIES			
Payments for property and equipment	(20,807)	(19,313)	(9,858)
Acquisitions of businesses and investments		(604)	(4,823)
Net cash acquired in acquisition of remaining 50% of VAW-IMCO	14,488		
Increase in restricted cash	(24,846)		
Other	1,097	3,573	683
Net cash used by investing activities	(30,068)	(16,344)	(13,998)
FINANCING ACTIVITIES			
Net payments of long-term revolving credit facility	(61,009)	(16,500)	(3,400)
Net payments of proceeds from issuance of long-term debt	145,569	(335)	(110)
Debt issuance costs	(11,553)	(1,036)	(978)
Purchases of treasury stock			(4,966)
Settlement of VAW-IMCO redemption liability	(26,046)		
Other	(1,404)	(510)	856
Net cash from (used by) financing activities	45,557	(18,381)	(8,598)
Effect of exchange rate differences on cash and cash equivalents	648	(144)	(120)
Net increase (decrease) in cash and cash equivalents	7,885	3,574	(1,713)
Cash and cash equivalents at January 1	6,875	3,301	5,014
Cash and cash equivalents at December 31	$ 14,760	$ 6,875	$ 3,301
SUPPLEMENTARY INFORMATION			

Cash payments for interest	$ 8,414	$ 7,430	$ 10,870
Cash payments for income taxes, net of refunds received	$ 4,168	$ (2,251)	$ (3,829)

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share amounts)

	COMMON STOCK		ADDITIONAL PAID-IN	DEFERRED	RETAINED	TREASURY STOCK		TOTAL
	SHARES	AMOUNT	CAPITAL	COMPENSATION	EARNINGS	SHARES	AMOUNT	DOLLARS
BALANCE AT DECEMBER 31, 2000	17,119,420	$ 1,712	$ 106,137	$	$ 95,664	(1,789,152)	$ (21,656)	$ 181,857
Comprehensive income:								
Net loss					(2,722)			(2,722)
Other comprehensive income (loss):								
Deferred hedging gain/(loss), net of tax benefit of $2,892					(4,923)			(4,923)
Foreign currency translation adjustments					176			176
Net comprehensive income								(7,469)
Issuance of common stock for services	11,820	1	73					74
Common stock repurchased						(644,500)	(4,966)	(4,966)
Stock issued in connection with ESPP			(410)			60,134	681	271
Other						(121,434)	(874)	(874)
BALANCE AT DECEMBER 31, 2001	17,131,240	1,713	105,800		88,195	(2,494,952)	(26,815)	168,893
Comprehensive loss:								
Net loss					(51,866)			(51,866)
Other comprehensive income (loss):								
Deferred hedging gain/(loss), net of tax of $3,214					5,443			5,443
Foreign currency translation adjustments					(5,384)			(5,384)
Net comprehensive loss								(51,807)
Issuance of common stock for services	11,164	1	86					87
Settlement of executive option loan program			1,624			(205,439)	(2,321)	(697)
Exercise of stock options			(136)			29,549	318	182
Issuance of restricted stock			(3,180)	(3,294)		600,000	6,474	
Deferred compensation expense			(96)	195				99
			(140)			29,902	322	182

Stock issued in connection with ESPP								
Other						(9,001)	(75)	(75)
BALANCE AT DECEMBER 31, 2002	17,142,404	1,714	103,958	(3,099)	36,388	(2,049,941)	(22,097)	116,864
Comprehensive loss:								
Net earnings					4,971			4,971
Other comprehensive income (loss):								
Deferred hedging gain/(loss), net of tax of $868					1,418			1,418
Foreign currency translation adjustments					3,587			3,587
Net comprehensive income								9,976
Issuance of common stock for services	12,807	2	92					94
Exercise of stock options			(15)			3,001	33	18
Issuance of restricted stock			(760)	(1,800)		240,000	2,560	
Deferred compensation expense			96	746				842
Stock issued in connection with ESPP			(107)			23,547	252	145
Other						(60,010)	(411)	(411)
BALANCE AT DECEMBER 31, 2003	17,155,211	$ 1,716	$ 103,264	$ (4,153)	$ 46,364	(1,843,403)	$ (19,663)	$ 127,528

See Notes to Consolidated Financial Statements.

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IMCO RECYCLING INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

(dollars in tables are in thousands, except per share data)

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation:

The accompanying consolidated financial statements include the accounts of IMCO Recycling Inc. and all of our majority owned subsidiaries and joint ventures. All significant intercompany accounts and transactions have been eliminated upon consolidation. Investments in affiliated companies, owned 50% or less, are accounted for using the equity method.

Our principal business involves the ownership and operation of aluminum recycling and alloying facilities and zinc manufacturing facilities. Aluminum scrap material is recycled for a fee and then the material is returned to our customers, some of whom are the world s largest aluminum and automotive companies. Aluminum and zinc scrap is also purchased on the open market, recycled and sold.

The preparation of our financial statements in conformity with generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. The carrying amount of cash equivalents approximates fair value because of the short maturity of those instruments.

Restricted Cash:

Cash we have that is not free and clear of encumbrances is classified as restricted cash. As a result of our refinancing activities in the fourth quarter of 2003, we have $24,846,000 of restricted cash in a custodial account held by the indenture trustee for the benefit of the holders of our senior secured notes. Subject to the terms and conditions of our refinancing agreements, we will be able to use this amount for various capital projects within the current year.

Receivable Sales:

Previously, our trade accounts receivables were sold through a qualified special purpose entity, a wholly owned subsidiary of our company. The fair value of the trade accounts receivable balances we retained approximated the carrying value less any reserves required for credit losses. See NOTE C SALE OF RECEIVABLES.

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Credit Risk:

The majority of our accounts receivable are due from companies in the aluminum, zinc and automotive industries. Credit is extended based on evaluation of our customers financial condition; generally, collateral is not required. Accounts receivable are net of a valuation reserve that represents an estimate of amounts considered uncollectible. Expense reflected in our Consolidated Statement of Operations for such uncollectible amounts, and receivables that were written-off against the valuation reserve, are as follows (in thousands):

	For the year ending December 31,		
	2003	2002	2001
Expenses for uncollectible accounts	$ 1,469	$ 1,567	$ 3,065
Receivables written off against the valuation reserve, net of recoveries	$ 1,658	$ 2,933	$ 3,704

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined using either a specific identification method or a weighted average cost per product sold, and includes an allocation of average manufacturing labor and overhead costs to finished goods.

Property and Equipment:

Property and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

For our landfills, we adopted as of January 1, 2003, SFAS 143 Accounting for Asset Retirement Obligations for the recognition of our asset retirement obligations and the associated asset retirement costs. See NOTE K IMPACT OF RECENTLY ADOPTED ACCOUNTING STANDARDS. Used space in the landfill is determined periodically either by aerial photography and engineering estimates based on the photography or on engineering estimates. The construction costs of the landfills are depreciated as space in the landfills is used. As of December 31, 2003 our total asset retirement obligations for our landfills were $5,285,000 as recognized in our financial statements.

We currently have some assets classified as available for sale. See NOTE E PROPERTY AND EQUIPMENT. These assets are recorded at the lower of cost or fair value. Assets held in this category are being marketed, and our policy is to sell those assets not intended for future use in income producing activities. We review our property and equipment for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset less disposal costs.

Interest is capitalized in connection with the construction of major facilities. Capitalized interest costs are as follows (in thousands):

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	Year ended December 31,		
	2003	2002	2001
Capitalized interest	$ 152	$ 212	$ 336

Goodwill:

Goodwill is tested for impairment annually as of December 31 of each year. The Company s reporting units are the Zinc division, Domestic Specialty Alloy division, Domestic Aluminum Recycling division, and International Operations by Geographic Location. See NOTE P GOODWILL.

Revenue Recognition:

Revenues are recognized when either products that we own are shipped or, for material that is tolled, when the services are performed for customers.

Stock-Based Compensation:

We follow Accounting Principles Board Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees, and related interpretations in accounting for our employee stock options. Under APB 25, if the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. We have adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation , as amended by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure . Our net earnings (loss) and earnings (loss) per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates.

The fair value of our outstanding stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	2003	2002	2001
Expected option life in years	4.0	4.0	4.0
Risk-free interest rate	4.89%	4.66%	3.82%
Volatility factor	0.460	0.452	0.442
Dividend yield	0.00%	0.00%	0.00%

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Our pro forma information below is presented as if we had applied the fair value recognition provision of SFAS 123 Accounting for Stock-Based Compensation. (in thousands, except per share items).

	Twelve months ended December 31,		
	2003	**2002**	**2001**
Net income (loss), as reported	$ 4,971	$ (51,866)	$ (2,722)
Add: stock-based compensation expense included in reported net income (loss), net of tax	522	62	
Less: compensation cost determined under the fair value method, net of tax	(663)	(389)	(585)
Pro forma net income (loss)	$ 4,830	$ (52,193)	$ (3,307)
Basic earnings (loss) per share:			
As reported	$ 0.34	$ (3.57)	$ (0.18)
Pro forma	0.33	(3.59)	(0.22)
Diluted earnings (loss) per share:			
As reported	$ 0.33	$ (3.54)	$ (0.18)
Pro forma	0.32	(3.56)	(0.22)

Market Risk Management Using Financial Instruments:

We enter into production derivatives to hedge the cost of energy and the sales price of certain aluminum and zinc products. We evaluate and document each hedge contract.

We are engaged in activities that expose us to various market risks, including the effects of natural gas prices and future selling prices of aluminum and zinc. These financial exposures are managed as an integral part of our risk management program, which seeks to reduce the potentially adverse effects that the volatility of the markets may have on operating results. We do not engage in speculative transactions, nor do we regularly hold or issue financial instruments for trading purposes. We maintain a natural gas pricing strategy to minimize significant fluctuations in earnings caused by the volatility of gas prices. We also maintain a metal pricing strategy to minimize significant, unanticipated fluctuations in earnings caused by the volatility of aluminum and zinc prices. See NOTE Q MARKET RISK MANAGEMENT USING FINANCIAL INSTRUMENTS.

Foreign Currency Translation:

Our foreign subsidiaries in the U.K., Germany, Netherlands, Mexico and Brazil use the local currency as their functional currency. Adjustments resulting from the translation into U.S. Dollars are reflected as a separate component of stockholders equity, except for current intercompany accounts, which along with foreign currency transaction gains and losses are reflected in the Statements of Operations. Foreign currency translation adjustments are the result of translating a foreign entity s functional currency to U.S. Dollars. Foreign currency translation adjustments accumulate in consolidated equity until the disposition or liquidation of the foreign entities.

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General Guarantees and Indemnifications:

It is common in long-term processing agreements for us to agree to indemnify customers for tort liabilities that arise out of or relate to the processing of their material. Additionally, we typically indemnify such parties for certain environmental liabilities that arise out of or relate to the processing of their material.

In our equipment financing agreements, we typically indemnify the financing parties, trustees acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the equipment and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, except for their gross negligence or willful misconduct.

We expect that we would be covered by insurance (subject to deductibles) for most tort liabilities and related indemnities described above with respect to equipment we lease and material we process.

In financing transactions that include loans from banks in which the interest rate is based on LIBOR, we typically agree to reimburse the lenders for certain increased costs that they incur in carrying these loans as a result of any change in law and for any reduced returns with respect to these loans due to any change in capital requirements. We had $32,991,000 of floating rate debt outstanding at December 31, 2003.

We cannot estimate the potential amount of future payments under the foregoing indemnities and agreements.

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NOTE B ACQUISITIONS / JOINT VENTURE FORMATION

On March 14, 2003, a wholly-owned subsidiary of the Company entered into an agreement with Hydro Aluminium Deutschland GmbH (Hydro) and VAW-IMCO Guss und Recycling GmbH (VAW-IMCO), finalizing the terms and conditions under which VAW-IMCO would redeem its shares owned by Hydro.

VAW-IMCO owns and operates two aluminum recycling foundry alloy facilities in Grevenbroich and Töging, Germany, that together have an annual melting capacity in excess of 700 million pounds. VAW-IMCO supplies specialty alloys to the European automobile industry and serves other European aluminum markets. The acquisition of the remaining 50% interest in VAW-IMCO is an important step in the on-going expansion of our international operations.

Under the redemption agreement, the redemption price for Hydro s share interest was 30,407,500 Euros (approximately U.S. $32,300,000), payable in Euros in five installments, plus interest. The first installment of 6,081,500 Euros, plus interest of 613,000 Euros, was paid by VAW-IMCO to Hydro on March 18, 2003. The remaining annual installments would have been paid beginning in December 2003. In conjunction with the refinancing of substantially all our debt in the fourth quarter of 2003, we extinguished the VAW-IMCO redemption liability. This resulted in a gain of $5,432,000. See NOTE G LONG-TERM DEBT.

As a result of this agreement, voting control of VAW-IMCO was effectively vested in a wholly-owned subsidiary of our company, and effective March 1, 2003, the accounts of VAW-IMCO were consolidated with those of the company s and reflected within our consolidated financial statements. Prior to that date, the accounts of VAW-IMCO were reflected in our financial statements under the equity method of accounting.

VAW-IMCO s condensed balance sheet and condensed results of operations for the years ending 2002 and 2001 are shown below (in thousands):

	2002	2001
Assets		
Current assets	$ 73,927	$ 55,351
Long-term assets	30,204	28,224
	$ 104,131	$ 83,575
Liabilities		
Current liabilities	54,810	22,731
Long-term liabilities	14,927	30,669
Total stockholder s equity	34,394	30,175
	$ 104,131	$ 83,575
Revenues	$ 271,970	$ 225,352
Gross profit	$ 23,071	$ 21,701

Net earnings	$ 4,736	$ 6,010

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The consideration described above plus the obligations assumed were allocated to the following assets at their fair value: approximately $22,400,000 in cash, $34,200,000 in accounts receivable net of an allowance for doubtful accounts, approximately $19,300,000 in inventories, and approximately $31,100,000 in property, plant and equipment.

We also included in our consolidated financial statements all of the obligations of VAW-IMCO which were recorded at their fair value. These include accounts payable and other accrued liabilities totaling approximately $33,300,000, as well as approximately $23,000,000 in current maturities of long-term debt and approximately $500,000 in long-term debt. We assumed a $10,000,000 liability for accrued pension costs and a deferred tax liability of almost $4,200,000.

The redemption price allocation described above resulted in our recording approximately $17,950,000 in goodwill. This goodwill is not deductible for tax purposes.

The following table represents the condensed unaudited pro forma statement of operations for the years ended December 31, 2003 and December 31, 2002, respectively. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been made at the beginning of the periods presented or the future results of the combined operations. The condensed unaudited pro forma statement of operations assumes that the consolidation of VAW-IMCO occurred on January 1, 2002 (in thousands).

	Pro forma	
	Year ended December 31,	
	2003	2002
Revenues	$ 944,186	$ 959,138
Gross profit	60,532	64,312
Earnings before accounting change	5,615	8,864
Cumulative effect of accounting change (net of tax $7,132)		(58,730)
Net earnings (loss)	5,615	(49,866)
Net earnings (loss) per common share:		
Basic before accounting change	$ 0.39	$ 0.61
Cumulative effect of accounting change		(4.04)
Basic earnings (loss) per share	$ 0.39	$ (3.43)
Diluted before accounting change	$ 0.38	$ 0.60
Cumulative effect of accounting change		(4.01)
Diluted earnings (loss) per share	$ 0.38	$ (3.41)
Weighted average shares outstanding:		
Basic	14,473	14,548

Diluted	15,011	14,655

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NOTE C SALE OF RECEIVABLES

The receivables sold under our receivables sale facility totaled $61,300,000 as of December 31, 2002. During the fourth quarter of 2003, in connection with the issuance of our 10 3/8% senior secured notes and the establishment of our new senior secured revolving credit facility (see NOTE G LONG-TERM DEBT), we repurchased the remaining balance of $46,300,000 in receivables sold under the receivables sale facility and terminated the receivables sale facility in October 2003. This facility was scheduled to expire in November 2003.

Under the receivables sale facility, we and certain of our originating subsidiaries had agreed to sell, from time to time, our interest in certain trade accounts receivable and other related assets to one of our wholly-owned subsidiaries. In turn, this subsidiary sold an undivided interest in the receivables and assets to unaffiliated third-party financial institutions and other entities. The purchase limit (the aggregate amount of receivables that could be sold) at any given time was $75,000,000.

The amounts of our fees we paid on these receivables sold are shown below (in thousands):

	Year ended December 31,		
	2003	**2002**	**2001**
Fees on receivables	$ 843	$ 1,698	$ 3,372
Receivables sold under facility	$ 46,300	$ 61,300	$ 65,300

NOTE D INVENTORIES

The components of our consolidated inventories are (in thousands):

	December 31,	
	2003	**2002**
Finished goods	$ 36,329	$ 19,711
Raw materials	33,428	21,297
Work in process	4,613	67
Supplies	3,900	1,655
	$ 78,270	$ 42,730

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NOTE E PROPERTY AND EQUIPMENT

The components of our consolidated property, plant and equipment are (in thousands):

	December 31,	
	2003	2002
Land, buildings and improvements	$ 153,359	$ 167,889
Production equipment and machinery	283,901	151,588
Office furniture, equipment and other	18,374	18,031
	$ 455,634	$ 337,508
Accumulated depreciation	(235,966)	(150,057)
	$ 219,668	$ 187,451

Our depreciation expense was as follows (in thousands):

	For the year ending December 31,		
	2003	2002	2001
Depreciation expense	$ 33,380	$ 23,646	$ 22,830

Estimated useful lives for buildings and improvements range from 5 to 39 years, machinery and equipment range from 2 to 20 years and office furniture and equipment range from 3 to 10 years.

Our assets held for sale as of the year-end was as follows (in thousands):

	December 31,	
	2003	2002
Assets held for sale	$ 2,097	$ 4,506

These assets are recorded at the lower of cost or fair value. Assets held in this category are actively marketed.

During the fourth quarter of 2003, we decided to permanently close our Wendover, Utah facility due to the continued shutdown of primary smelter capacity in the Pacific Northwest. As a result we evaluated the assets associated with this facility for impairment. We recorded a $3,061,000 impairment charge to write-down the Wendover, Utah assets to fair value. We based fair value upon the fact certain assets would be relocated to other aluminum recycling operations. The impairment charge was recorded as depreciation expense in cost of sales, and is included in the domestic aluminum segment.

Due to adverse market conditions in the domestic aluminum segment, in the fourth quarter of 2003 management commenced a review of our assets held for sale. Based upon the net book value of certain of the assets reviewed exceeding their estimated fair value, during the fourth quarter of 2003 we recorded depreciation expense of $879,000 in cost of sales and $1,965,000 in other (income) expense, net. Both of these charges are included in the domestic aluminum segment.

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NOTE F INCOME TAXES

The provision (benefit) for income taxes, including income taxes on minority interests, was as follows (in thousands):

	For the year ended December 31,		
	2003	2002	2001
Current:			
Federal	$ (1,771)	$ 2,636	$ (4,922)
State	(57)		57
Foreign	4,650	245	(366)
	2,822	2,881	(5,231)
Deferred:			
Federal	(4,293)	(130)	2,406
State	(1,568)	59	(815)
Foreign	2,010	1,033	1,397
	(3,851)	962	2,988
	$ (1,029)	$ 3,843	$ (2,243)

The income tax expense, computed by applying the federal statutory tax rate to earnings before income taxes, differed from the provision (benefit) for income taxes as follows (in thousands):

	For the year ended December 31,		
	2003	2002	2001
Income taxes (benefit) at the federal statutory rate	$ (6,156)	$ 4,640	$ (1,786)
Foreign taxes at the statutory rate	8,454	(701)	3
Goodwill amortization, nondeductible			596
State income taxes, net	(1,124)	38	(492)
Foreign income not currently taxable	(2,759)	(1,070)	(864)
Losses not benefited	1,684	1,927	217
Other, net	(1,128)	(991)	83
Provisions (benefit) for income taxes	$ (1,029)	$ 3,843	$ (2,243)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

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Significant components of our deferred tax liabilities and assets are as follows (in thousands):

	December 31,	
	2003	2002
Deferred tax liabilities:		
Accelerated depreciation and amortization	$ 19,240	$ 10,981
State income taxes	1,800	612
Deferred hedge gain	1,190	322
Total deferred tax liabilities	22,230	11,915
Deferred tax assets:		
Net operating loss carryforwards	16,112	2,608
Tax credit carryforwards	2,489	2,403
Expenses not currently deductible	3,455	2,634
Total deferred tax assets	22,056	7,645
Valuation allowance	(8,987)	(3,258)
Net deferred tax assets	13,069	4,387
Net deferred tax liability	$ 9,161	$ 7,528

At December 31, 2003, and 2002 we had a $8,987,000 and a $3,258,000 valuation allowance, respectively, to reduce certain deferred tax assets to amounts that are more likely than not to be realized. The valuation allowance relates to our potential inability to utilize state recycling credits and foreign net operating loss carry forwards. The increase of the valuation allowance is largely due to the loss generated in Brazil and the recording of pre-acquisition net operating loss assets of $4,045,000. Upon realization of the Brazil net operating losses, approximately 50% of such amounts are due to the former owners of the Brazil operations under the terms of the acquisition agreement.

At December 31, 2003, we had approximately $19,415,000 of unused net operating loss carry forwards for foreign tax purposes, which do not expire, $187,000 foreign net operating loss carry forwards that expire in 2013, $16,032,000 in U.S. federal income tax net operating loss carry forwards that expire in 2024, and had approximately $57,438,000 for state purposes, which expire in 2004 to 2023. In 2003, the net operating losses in the U.K. and Mexico were significantly reduced due to the current year utilization.

At December 31, 2003, we had $2,910,000 of unused state tax credit carry forwards, $744,000 of which expire in 2005 to 2020, and $2,166,000 of which do not expire.

For U.S. federal income tax, at December 31, 2003 and 2002, we had a $380,000 receivable and a $1,318,000 payable for U.S. federal income tax, respectively.

Undistributed earnings for all non-U.S. investments are considered permanently reinvested and, accordingly, no additional U.S. income taxes or non-U.S. withholding taxes have been provided. As of December 31, 2003, the undistributed earnings are estimated at $26,216,000 for VAW-IMCO, and the redemption gain for VAW-IMCO is estimated at $5,432,000.

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NOTE G LONG-TERM DEBT

Our long-term debt is summarized as follows (in thousands):

	December 31,	
	2003	**2002**
Former senior secured credit facility, expiring December 2003		$ 94,000
New senior secured credit facility, expiring in October 2007	$ 32,991	
10-3/8% Senior Secured Notes, due October 6, 2010, net	208,751	
7.65% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1996 Series, Due May 1, 2016, net	5,705	5,702
7.45% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1997 Series, Due May 1, 2022	4,600	4,600
6.00% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1998 Series, Due May 1, 2023	4,100	4,100
Other	46	223
Subtotal	256,193	108,625
Less current maturities	26	94,075
Total	$ 256,167	$ 14,550

To refinance our existing indebtedness, on October 6, 2003, we issued $210,000,000 principal amount of 10 3/8% senior secured notes (new secured notes), due on October 15, 2010. The issue was priced at 99.383% to yield 10.50% and provided $208,704,000 of proceeds. Interest is payable semi-annually, on April 15 and October 15, commencing on April 15, 2004. In addition, on October 6, 2003, we established a new, four-year $120,000,000 senior secured revolving credit facility (new senior credit facility). Our former senior credit facility and receivables sale facility were both scheduled to expire by their own terms in the fourth quarter of 2003.

As of December 31, 2003, we had $32,991,000 of indebtedness outstanding under our new senior secured credit facility. Under the new senior credit facility established on October 6, 2003, we are subject to a borrowing base limitation based on eligible domestic inventory and receivables. As of December 31, 2003, we estimated that our borrowing base would have supported additional borrowings of $36,572,000 after giving effect to outstanding borrowings of $32,991,000 and outstanding letters of credit of $7,873,000. As of December 31, 2003, our total borrowing base was approximately $77,436,000.

The proceeds from the new secured note offering and initial borrowings, on October 6, 2003, under the new senior credit facility were used as follows: repayment of the former senior credit facility, $122,600,000; repurchase of receivables outstanding under the receivables sale facility and termination of such facility,

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$46,300,000; repayment of certain Brazilian loans, $7,541,000. Additionally, approximately $51,400,000 in proceeds were applied toward outstanding loans and obligations owed by VAW-IMCO to commercial banks and to Hydro Aluminium Deutschland GmbH (Hydro), the Company s former joint venture partner, with regards to VAW-IMCO s redemption liability.

Of the approximately $51,400,000 in proceeds referred to above, $27,376,000 was used to pay all amounts owing under the VAW-IMCO redemption liability. We paid to Hydro 23,750,000 Euros (approximately U.S. $28,300,000) for the share redemption liability and an aluminum recycling furnace and related assets and real estate located at, and adjacent to, a VAW-IMCO facility. We recognized a gain of $5,432,000 on the settlement of the redemption liability.

Fees and expenses of the new secured note offering and the establishment of the new senior credit facility were $11,553,000. The fees will be amortized as additional interest expense over the terms of the new secured notes and new senior credit facility. During the fourth quarter of 2003, due to the extinguishment of our former senior revolving credit facility, we recognized a loss of $753,000 due to the write-off of unamortized debt costs related to the former senior revolving credit facility.

The new secured notes are redeemable at our option, in whole or in part, at any time after October 15, 2007. At any time prior to October 15, 2006, we may redeem up to 35% of the aggregate principal amount of the new secured notes with the proceeds of one or more equity offerings of our common shares at a redemption price of 110.375% of the principal amount of the new secured notes, together with accrued and unpaid interest, if any, to the date of the redemption.

The new secured notes are guaranteed on a senior basis by all of our existing 100% owned domestic subsidiaries that are co-borrowers under the new senior credit facility and by any future restricted domestic subsidiaries. The new secured notes are not guaranteed by any of our current foreign subsidiaries. See NOTE O CONDENSED CONSOLIDATED FINANCIAL STATEMENTS. The new secured notes and guarantees are secured by first-priority liens, subject to permitted liens, on the real property, fixtures and equipment relating to our wholly-owned domestic operating plants and on the fixtures and equipment relating to substantially all of our leased domestic operating plants. The liens securing the new secured notes do not extend to any of our inventory, accounts receivable and related property (which secure the new senior credit facility) or to any of our foreign real or personal property.

Forming additional security for the new senior secured notes was an intercompany note issued by VAW-IMCO to us. In February 2004, VAW-IMCO paid to the Company approximately 20,000,000 Euros (U.S. $24,846,000, including interest) paying in full its indebtedness owed to the Company under the intercompany note pledged as part of the collateral security for the new secured notes. The funds were deposited in a collateral account held by the trustee under the indenture governing the new secured notes, which permits us for a one-year period to use these funds for acquisitions and construction of assets and properties to be used in substantially all of our domestic business. Any such assets and properties (or other assets and properties) will be added to and form a part of the collateral security for the new secured notes.

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Giving effect to the restricted use of these funds in the collateral account for additional property and equipment, the funds have been classified as restricted cash on our balance sheet as of December 31, 2003.

Upon the occurrence of a change of control (as defined under the indenture governing the new secured notes), we are required to purchase all or a portion of the new secured notes at a price equal to 101% of the principal amount of the new secured notes plus accrued interest.

The indenture governing the new secured notes, among other things, contains covenants limiting our ability and the ability of our restricted subsidiaries to incur additional debt; make restricted payments, including without limitation, paying dividends or making investments; sell or otherwise dispose of assets, including capital stock of subsidiaries; engage in sale-leaseback transactions; create liens on our or our subsidiaries assets; receive distributions; engage in transactions with affiliates; and merge or sell substantially all of our or our subsidiaries assets.

The terms of our new senior credit facility include, among other covenants, (i) prohibitions against incurring certain indebtedness, (ii) limitations on dividends and repurchases of shares of capital stock, and (iii) limitations on capital expenditures, investments and acquisitions. At any time during specified periods (including currently) our undrawn availability under this facility is less than $50,000,000, we will also be required to maintain a minimum fixed coverage ratio and minimum tangible net worth, as follows:

- a minimum fixed charge coverage ratio of 1.0 to 1.0 (calculated based on our parent entity and wholly-owned domestic subsidiaries), and

- a minimum tangible net worth of $44,500,000 plus 50% of future net income on a consolidated basis.

As a result of our new financing arrangements, the Company is currently unable to pay dividends and our interest expense is expected to increase by approximately $7,000,000 on an annualized basis over our reported amounts for 2003.

Scheduled maturities of our long-term debt subsequent to December 31 2003, are as follows (in thousands):

2004	$ 26
2005	16
2006	4
2007	32,991
After 2007	223,156
Subtotal	$ 256,193
Less current maturities of long-term debt	26
Total	$ 256,167

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The fair value of our outstanding indebtedness under the senior secured revolving credit facility approximates its carrying value due to its floating rate and relatively short maturity. The current fair value of our fixed-rate revenue bonds and new senior secured notes, based on market quotations, discounted cash flows and incremental borrowing rates, is approximately $17,633,000 and $215,775,000, respectively.

Our capitalized interest is as follows (in thousands):

	For the year ending December 31,		
	2003	2002	2001
Capitalized interest	$ 152	$ 212	$ 336

NOTE H NET EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	2003	2002	2001
Numerators for basic and diluted earnings (loss) per share:			
Net earnings (loss) before cumulative effect of accounting change	$ 4,971	$ 6,864	$ (2,722)
Cumulative effect of accounting change		(58,730)	
Net earnings (loss)	$ 4,971	$ (51,866)	$ (2,722)
Denominator:			
Denominator for basic earnings (loss) per share- weighted-average shares	14,472,884	14,547,826	14,978,120
Dilutive potential common shares stock options	538,565	107,212	
Denominator for diluted earnings (loss) per share	15,011,449	14,655,038	14,978,120
Net earnings (loss) per share:			
Basic before cumulative effect of accounting change	$ 0.34	$ 0.47	$ (0.18)
Basic after cumulative effect	0.34	(3.57)	(0.18)
Dilutive before cumulative effect	0.33	0.47	(0.18)
Dilutive after cumulative effect	0.33	(3.54)	(0.18)

The following stock options were excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive, as the options exercise price was greater than the average market price of the common stock:

	2003	2002	2001
Anti-dilutive stock options as of December 31,	1,640,567	1,798,890	1,321,022

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NOTE I EMPLOYEE BENEFIT PLANS

Domestic profit sharing retirement plan:

Our profit-sharing retirement plan covers most of our employees who meet defined service requirements. Contributions are determined annually by the Board of Directors and may be as much as 15% of covered salaries. Our profit sharing contributions are as follows (in thousands):

	2003	2002	2001
Company profit sharing contributions	$ 937	$ 1,778	$ 412

Subject to certain dollar limits, our employees may contribute a percentage of their salaries to this plan, and we match a portion of the employees contributions. Our match of employee s contributions was as follows (in thousands):

	2003	2002	2001
Company match of employee contributions	$ 1,562	$ 1,361	$ 907

Employee Stock Purchase Plan:

Effective July 1, 1999, we adopted a qualified, non-compensatory employee stock purchase plan, which allows employees to acquire shares of common stock through payroll deductions over a six-month period. The purchase price is equal to 85% of the fair market value of the common stock on either the first or last day of the offering period, whichever is lower. Purchases under the plan are limited to 15% of an employee s eligible compensation. A total of 800,000 shares are available for purchase under the plan. We issued 23,547, 29,902, and 60,134 shares under the plan in 2003, 2002 and 2001, respectively.

VAW-IMCO Pension Plan:

VAW-IMCO maintains a defined benefit pension plan for its employees. This plan is based on final pay and service, but some VAW-IMCO senior officers are entitled to receive enhanced pension benefits. It is a book reserve plan, i.e. no plan assets are provided and the employer sets up a book reserve (pension accrual) for payment of the benefits. Under Statement of Financial Accounting (SFAS) No. 87, Employers Accounting for Pensions, a book reserve plan under German law is an unfunded plan and a liability item has to be recognized as an unfunded accrued pension cost. This amount is covered by a German pension insurance association under German law if VAW-IMCO is unable to fulfill its obligations. These obligations are included in Other Long-Term Liabilities on our consolidated balance sheet as of December 31, 2003.

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Pension cost for the defined pension plan includes the following components (in thousands):

	2003
Service cost	$ 361
Interest cost	578
Pension cost	$ 939

Changes in the Projected Benefit Obligation (PBO) (in thousands):

PBO at March 1	$ 9,724
Service Cost	361
Interest Cost	578
Actuarial loss / (gain)	3,285
Benefits paid	(272)
Other	2,367
PBO at December 31	$ 16,043
Unrecognized net loss	(3,649)
Provision for pension insurance	97
Other	881
Pension liability at December 31	$ 13,372

Actuarial assumptions as of December 31, 2003, are as follows:

Discount rate	5.50%
Compensation increase	3.0%
Cost-of-living increases for pensions	2.0%

NOTE J STOCKHOLDERS EQUITY

In 1990, we adopted an Amended and Restated Stock Option Plan. This plan expired in 1997, and no further grants of options may be made under the plan. This plan provided for the granting of nonqualified and incentive stock options. The number of shares of common stock authorized for issuance under the plan was 1,200,000 shares. Options granted under the plan had various vesting periods and are exercisable for a period of 10 years from the date of grant, although options may expire earlier because of termination of employment.

In 1992, we adopted the 1992 Stock Option Plan, which provides for the granting of nonqualified and incentive stock options to employees, officers, consultants and non-employee members of the Board of

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Directors. This plan expired in December 2002, and no further grants of options may be made under the plan.

In 1996, we adopted our Annual Incentive Program, which provided certain of our key employees with annual incentive compensation tied to the achievement of pre-established and objective performance goals. This plan provides for the granting of stock options to key management employees on a discretionary basis. Nonqualified and incentive stock options may be granted. Options granted to employees under this plan have various vesting periods. Annually, non-employee directors will be granted nonqualified stock options exercisable after six months from the date of grant, equal to the number of shares determined by dividing the annual retainer fee amount by the fair market value of a share of common stock as of the date of grant. All options granted under this plan, once vested, are exercisable for a period of up to 10 years from the date of grant, although options may expire earlier because of termination of employment or service.

The 1992 Stock Option Plan and the 1996 Annual Incentive Program allow for the payment of all or a portion of the exercise price and tax withholding obligations in shares of our common stock delivered and/or withheld. Such payment or withholding will be valued at fair market value as of the date of exercise. Participants making use of this feature will automatically be granted a reload stock option to purchase a number of shares equal to the number of shares delivered and/or withheld. When a reload stock option is granted, a portion of the shares issued to the participant will be designated as restricted stock for a period of five years, although the restriction may be removed earlier under certain circumstances. Reload stock options have an exercise price equal to the fair market value as of the date of exercise of the original options and will expire on the same date as the original options.

In March 1998, we adopted the Executive Option Exercise Loan Program in order to encourage option exercises and share retention by management employees holding certain options under our Amended and Restated Stock Option Plan and to provide such management employees with a long-term capital accumulation opportunity. This program provided loans to permit the exercise of certain stock options under the Amended and Restated Stock Option Plan and to pay federal and state taxes realized upon such exercises. As of January 1, 2002, we had extended $2,266,000 in executive loans to these individuals ($1,624,000 of which represented a reduction to additional paid-in capital and $642,000 of which was included in other long-term assets).

The terms of the Executive Option Exercise Loan Program provided that the loans extended could be repaid in shares of our Company s common stock, so long as the Compensation Committee of the Company s Board of Directors approved that repayment method. In May 2002, following approval of the Compensation Committee, substantially all of the outstanding loans and accrued interest under the program were repaid by the participants surrendering 205,439 shares of common stock held by our Company as collateral for the loans. The shares surrendered to our Company were valued as of the date of transfer (May 9, 2002) at $2,321,461, based upon the closing price per share on the New York Stock Exchange on that date ($11.30 per share). In December 2002, the remaining outstanding loans held by one executive officer were repaid in accordance with the terms of the Program by his surrendering 9,001 shares of common stock. The shares surrendered to our Company were valued as of the date of transfer (December 12, 2002) at $74,798, based upon the closing price per share on the New York Stock Exchange on that date ($8.31 per share).

In May 2000, we entered into a forward share contract, which was settled in May 2001, when we purchased 644,500 of our Company s shares from a financial institution at an average price of $7.67 for a total consideration of $4,966,000.

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In October 2000 and February 2001, our Company awarded a total of 650,000 shares of restricted Common Stock of the Company to certain officers. The restricted stock grants were made pursuant to the terms of the officers Employment Agreements. In October 2002, we awarded an additional 200,000 shares of restricted Common Stock to one officer. These shares cannot be transferred or pledged and are subject to forfeiture if the officers employment with the Company terminates under certain circumstances before the restriction period for the award expires. The restrictions lapse October 12, 2007 on 400,000 shares and October 16, 2009 on 200,000 shares or upon the death, disability, termination without cause , or resignation for good reason, or upon a change in control of the Company (as those terms are defined under the respective Employment Agreements), if earlier. The remaining awards of 250,000 shares vest on the second anniversary of the date of a change in control of the Company. The terms of the awards do not provide for partial vesting of the restricted shares over time.

Transactions under the option plans are as follows:

	2003		2002		2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding Jan. 1	2,319,500	$ 10.45	1,864,387	$ 11.41	2,208,799	$ 14.40
Options granted	4,000	$ 7.50	683,700	$ 8.18	533,500	$ 5.53
Options exercised	(3,001)	$ 5.33	(29,549)	$ 4.70		$
Options cancelled	(187,322)	$ 12.63	(199,038)	$ 12.47	(877,912)	$ 15.35
Options outstanding Dec. 31	2,133,177	$ 10.26	2,319,500	$ 10.45	1,864,387	$ 11.41
Options exercisable Dec. 31	1,571,682	$ 11.27	1,369,640	$ 12.67	1,346,976	$ 13.51

The weighted average grant date fair value per share of all stock option awards granted for 2003, 2002, and 2001 were $3.13, $3.74 and $2.16, respectively.

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Information related to options outstanding at December 31, 2003, is summarized below:

Range of Exercise Prices		Options Outstanding: Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable: Options	Weighted Average Exercise Price
$ 2.38	$ 4.75	202,043	7.1	$ 4.39	131,415	$ 4.40
$ 4.75	$ 7.13	290,567	7.6	$ 6.28	209,939	$ 6.28
$ 7.13	$ 9.50	621,400	9.0	$ 8.20	211,161	$ 8.23
$ 9.50	$ 11.88	130,871	6.2	$ 10.94	130,871	$ 10.94
$ 11.88	$ 14.25	624,156	3.7	$ 13.03	624,156	$ 13.03
$ 14.25	$ 16.63	214,646	3.6	$ 15.82	214,646	$ 15.82
$ 16.63	$ 19.00	1,945	4.0	$ 17.13	1,945	$ 17.13
$ 19.00	$ 21.38		0.0	$		$
$ 21.38	$ 23.75	47,549	1.9	$ 22.76	47,549	$ 22.76
		2,133,177			1,571,682	

In May 2003, we awarded a total of 80,000 shares of restricted common stock to one of our officers. These shares cannot be transferred or pledged and are subject to forfeiture if the officer s employment with us terminates under certain circumstances before the restriction period for the award expires. Dividends are not paid or earned on these shares unless and until they are vested. The restrictions lapse on May 7, 2010, or upon the death, disability, termination without cause, or resignation for good reason of the officer, or upon a change in control (as those terms are defined under the Employment Agreement of the officer), if earlier.

NOTE K IMPACT OF RECENTLY ADOPTED ACCOUNTING STANDARDS

Asset Retirement Obligations:

Effective January 1, 2003, we adopted SFAS No. 143, Accounting for Asset Retirement Obligations. This statement establishes standards for accounting for obligations associated with the retirement of tangible long-lived assets. Under the provisions of this standard, we recorded the estimated fair value of liabilities for existing asset retirement obligations, as well as associated asset retirement costs, which were capitalized as increases to the carrying amounts of related long-lived assets. The amounts recorded are for legal obligations associated with the normal operation of our landfills and the retirement of those assets. Our asset retirement obligations consist primarily of environmental remediation costs associated with our landfills.

Asset retirement costs are currently estimated to be approximately $8,500,000 and are being expensed as space in the landfills is used. Used space in the landfill is determined either by aerial photography and/or engineering estimates based on the photography or on engineering estimates. The construction costs of the landfills are depreciated as space in the landfills is used. As of December 31, 2003 our total asset retirement obligations for our landfills was $5,285,000 as recognized in our financial statements.

Prior to our adoption of SFAS 143, accrued landfill closure costs were $3,100,000 and $2,800,000 as of December 31, 2002 and 2001, respectively, and are included in the other long-term liabilities. The adoption

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of SFAS 143 required us to recognize approximately $2,000,000 in asset retirement obligations. An equal amount was recorded as an asset for asset retirement costs. The asset retirement costs will be expensed over the lives of the landfills.

The changes in our Asset Retirement Obligations and Asset Retirement Costs for the twelve months ended December 31, 2003 are shown in the table below (in thousands):

Carrying Amount of Asset Retirement Obligations	Year ended December 31, 2003
Balance at beginning of period January 1, 2003	$ 5,195
Accretion expense	431
Payments	(341)
Balance at end of period December 31, 2003	$ 5,285

Carrying Amount of Asset Retirement Cost	Year ended December 31, 2003
Balance at beginning of period January 1, 2003	$ 2,058
Accumulated depreciation	(339)
Balance at end of period December 31, 2003	$ 1,719

NOTE L COMMITMENTS AND CONTINGENCIES

Operating leases

We lease various types of equipment and property, primarily the equipment utilized in our operations at our various plant locations and at our headquarters facility. The future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2003, were (in thousands):

Year ending December 31,	Operating Leases
2004	$ 3,459
2005	1,341
2006	740

2007	179
2008 and subsequent	58
	$ 5,777

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Our rent expense was as follows (in thousands):

	2003	2002	2001
Rent expense	$ 6,021	$ 3,986	$ 3,657

Purchase Obligations:

Our noncancellable purchase obligations are principally for materials, such as metals and fluxes. These materials are used in our manufacturing operations. Our purchase obligations are as follows (in thousands):

	Cash Payments Due by Period (thousands)		
	Total	Less than 1 year	2-3 years
Purchase obligations	$ 184,798	$ 125,743	$ 59,055

General

Our operations, like those of other basic industries, are subject to federal, state, local and foreign laws, regulations and ordinances. These laws and regulations (1) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes and (2) impose liability for costs of cleaning up, and certain damages resulting from past spills, disposals or other releases of hazardous substances. It can be anticipated that more rigorous environmental laws will be enacted that could require us to make substantial expenditures in addition to those described here.

From time to time, our operations have resulted, or may result, in certain non-compliance with applicable requirements under environmental laws. However, we believe that any such non-compliance under such environmental laws would not have a material adverse effect on our financial position or results of operations.

Environmental proceedings

In 1997, the Illinois Environmental Protection Agency (IEPA) notified us that two of our zinc subsidiaries were potentially responsible parties (PRP) pursuant to the Illinois Environmental Protection Act for the cleanup of contamination at a site in Marion County, Illinois to which these subsidiaries, among others, in the past had sent zinc oxide for processing and resale. The site has not been fully investigated and final estimated cleanup costs have not yet been determined. We have been informed by the IEPA that the agency is preparing a revised list of companies that may have sent materials to the site and the volume of materials sent by each company. After receiving this information, our subsidiaries presently plan to seek, possibly in connection with other PRPs, an agreed resolution of the IEPA s claims.

On February 15, 2001, the State of Michigan filed a lawsuit against us in the State Circuit Court for the 30th District, Ingham County, Michigan. The lawsuit arose out of disputes between our Alchem Aluminum Inc. subsidiary and Michigan environmental authorities concerning air emission control permits at Alchem s aluminum specialty alloy production facilities in Coldwater, Michigan. The

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State claimed injunctive relief and penalties for alleged non-compliance with and violations of federal and state environmental laws. The suit sought compliance by us as well as potentially substantial monetary penalties. On January 14, 2004, the parties settled the lawsuit by entering a Consent Judgment with the State Circuit Court. The Consent Judgment requires that we (i) operate our Coldwater aluminum facilities in compliance with a permit compliance program, (ii) adhere to certain recordkeeping, notification and testing guidelines, (iii) install a baghouse and associated equipment at our Alchem facility in Coldwater; and (iv) pay a civil fine in the amount of $300,000 to the State of Michigan.

On April 27, 2001, the U. S. Environmental Protection Agency, Region V, issued to us a Notice of Violation (NOV) alleging violations of the federal Clean Air Act, primarily for violations of the Michigan State Implementation Plan at our Coldwater facilities. The NOV addresses the same instances of alleged non-compliance raised in the State of Michigan lawsuit, alleging that we purportedly failed to obtain appropriate preconstruction air quality permits prior to conducting modifications to the Alchem production facilities and exceeded permitted emission levels from two of our Coldwater facilities. In September 2001, we filed our response with Region V of the Environmental Protection Agency, and there have been no developments in this matter since that date.

We are a named co-defendant in a lawsuit filed on February 26, 2004 in the U.S. District Court for the Central District of California. The listed claimants are the current owners of a Corona, California property formerly owned by one of our subsidiaries. The petition seeks declaratory relief and damages in an unspecified amount in connection with an alleged release of hazardous substances on the property. As of March 12, 2004, we had not yet been served in this lawsuit. We believe that we have meritorious defenses to the claims contained in the petition. We plan a vigorous defense against these claims.

There is the possibility that expenditures could be required at our other facilities from time to time, because of new or revised regulations that could require that additional expenditures be made for compliance purposes. These expenditures could materially affect our results of operations in future periods.

Other legal proceedings

In 1998 an employee filed a personal injury claim against us (Bland v. IMCO Recycling Inc.) in Missouri state court. In August 2002 the trial court entered a final judgment against us for $4,000,000. We are also involved in litigation with the surety for the appeal bond that was levied to secure the judgment in the Bland case (IMCO Recycling Inc. v. American Guarantee & Liability Insurance Company), currently pending in the Missouri Circuit Court of Appeals. To date, we have not paid any portion of the Bland judgment or reimbursed the surety. In a lawsuit between us and our umbrella coverage insurer to resolve a dispute as to coverage in the Bland case (Twin City Fire Insurance Company v. IMCO Recycling Inc.), a federal district court in Missouri entered a judgment in our favor in July 2003. We have filed post-trial motions seeking the award of our attorneys fees and to clarify the terms of the favorable judgment. When judgment is entered, to clarify these points an appeal may be filed by one or both parties. We currently believe that there is insurance coverage for the Bland claim and that we will be indemnified for any payments that we must make. We have not established any reserves for the Bland case. We have deferred expensing certain legal fees and expenses incurred during the third quarter in connection with this matter.

We are also a party from time to time to what we believe are routine litigation and proceedings considered part of the ordinary course of our business. We believe that the outcome of such proceedings would not have a material adverse effect on our financial position or results of operations.

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NOTE M SEGMENT INFORMATION

Description of the Types of Products and Services from which Each Reportable Segment Derives its Revenues:

With the consolidation of VAW-IMCO in March 2003, we now have three reportable segments: **domestic aluminum**, **international aluminum** and **zinc**.

Our **domestic aluminum** segment represents all of our aluminum melting, processing, alloying, trading and salt cake recovery activities, including investments in joint ventures, within the United States. Our **international aluminum** segment represents all of our aluminum melting, processing, alloying, and trading activities outside of the United States. Our **zinc** segment represents all of our zinc melting, processing and trading activities. Prior period results have been reclassified to reflect the international aluminum segment.

Measurement of Segment Profit or Loss and Segment Assets:

The accounting policies of the reportable segments are the same as those described in NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. We evaluate performance based on gross profit or loss from operations, net of selling expenses. Provision for income taxes, interest, corporate general and administrative costs, including depreciation of corporate assets and amortization of capitalized debt costs, are not allocated to the reportable segments. Intersegment sales and transfers are recorded at market value; net profits on intersegment sales and transfers were immaterial for the periods presented. Consolidated cash, net capitalized debt costs, net current deferred tax assets and assets located at our headquarters office in Irving, Texas are not allocated to the reportable segments.

Factors Management Used to Identify the Company s Reportable Segments:

Our reportable segments are business units that offer different types of metal products and services. The reportable segments are each managed separately, because they produce distinct products and services and sell to different types of customers.

Reportable Segment Information:

Selected reportable segment disclosures for the three years ended December 31, 2003 are as follows (in thousands):

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	Domestic Aluminum	International Aluminum	Zinc	Total
2003				
Revenues from external customers	$ 479,585	$ 256,386	$ 156,044	$ 892,015
Segment income (loss)	12,621	17,310	4,895	34,826
Depreciation and amortization expense	22,464	5,387	3,329	31,180
Equity in earnings of affiliates	55	734		789
Segment assets	232,060	181,277	109,815	523,152
Equity investments in joint ventures	876		100	976
Payments for plant and equipment	7,233	10,201	2,773	20,207
2002				
Revenues from external customers	$ 505,683	$ 23,952	$ 157,533	$ 687,168
Segment income (loss)	34,938	1,536	3,677	40,151
Depreciation and amortization expense	17,145	1,784	2,829	21,758
Equity in earnings of affiliates	222	2,181		2,403
Segment assets	185,657	47,286	80,277	313,220
Equity investments in joint ventures	985	16,482		17,467
Payments for plant and equipment	9,011	7,750	1,826	18,587
2001				
Revenues from external customers	$ 490,616	$ 20,629	$ 178,092	$ 689,337
Segment income (loss)	24,061	5,437	(20)	29,478
Depreciation and amortization expense	20,851	760	4,645	26,256
Equity in earnings of affiliates	74	3,057		3,131
Segment assets	220,771	30,054	107,734	358,559
Equity investments in joint ventures	1,063	16,829		17,892
Payments for plant and equipment	5,999	1,809	1,180	8,988

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Reconciliations of total reportable segment disclosures to our consolidated financial statements are as follows:

	2003	2002	2001
PROFITS			
Total profits for reportable segments	$ 34,826	$ 40,151	$ 29,478
Unallocated amounts:			
General and administrative expense	(20,353)	(17,988)	(19,777)
Interest expense	(15,806)	(9,727)	(11,038)
Fees on receivables sale	(843)	(1,698)	(3,372)
Interest and other income	6,678	530	70
Income (loss) before provision for income taxes, minority interests and cumulative effect of accounting change	$ 4,502	$ 11,268	$ (4,639)
DEPRECIATION AND AMORTIZATION EXPENSE			
Total depreciation and amortization expense for reportable segments	$ 31,180	$ 21,758	$ 26,256
Other depreciation and amortization expense	2,447	1,888	2,941
Total consolidated depreciation and amortization expense	$ 33,627	$ 23,646	$ 29,197
ASSETS			
Total assets for reportable segments	$ 523,152	$ 313,220	$ 358,559
Other assets	33,365	38,190	48,395
Total consolidated assets	$ 556,517	$ 351,410	$ 406,954
PAYMENTS FOR PLANT AND EQUIPMENT			
Total payments for plant and equipment for reportable segments	$ 20,207	$ 18,587	$ 8,988
Other payments for plant and equipment	600	726	870
Total consolidated payments for plant and equipment	$ 20,807	$ 19,313	$ 9,858

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Geographic Information:

The following table sets forth the geographic breakout of our revenues (based on customer location) and property and equipment (net of accumulated depreciation) (in thousands):

	2003	2002	2001
REVENUES			
Domestic	$ 585,777	$ 602,876	$ 576,623
Foreign:			
Asia	6,846	7,346	8,050
Europe	244,716	22,235	37,453
Latin America	18,563	7,161	2,897
North America	34,624	45,933	63,287
Other	1,489	1,617	1,027
Total foreign revenues	$ 306,238	$ 84,292	$ 112,714
Consolidated total	$ 892,015	$ 687,168	$ 689,337
PROPERTY AND EQUIPMENT			
Domestic, net	$ 152,130	$ 162,607	$ 173,418
Foreign:			
European	51,007	8,841	8,353
Latin America	16,531	16,003	5,158
Other			2
Total foreign property and equipment, net	$ 67,538	$ 24,844	$ 13,513
Consolidated total, net	$ 219,668	$ 187,451	$ 186,931

Aluminum shipments to customers located in Canada accounted for approximately 4%, 7% and 8% of consolidated revenues for 2003, 2002 and 2001, respectively. With the consolidation of VAW-IMCO in March, 2003, most of our foreign property and equipment are located in Germany. In addition, we also have operations at our facilities in Swansea, Wales, Monterrey, Mexico and Pindamonhangaba, Brazil.

Revenues and earnings from foreign operations, before interest income and expense, and before provision for income taxes, minority interest and extraordinary items, including foreign joint ventures, for the fiscal years ending 2003, 2002 and 2001 are as follows (in thousands):

	2003	2002	2001
REVENUES			

International Aluminum segment	$ 256,386	$ 23,952	$ 20,629
Other foreign operations, non-aluminum		1,551	17,731
Total Foreign Revenues (to external customers)	$ 256,386	$ 25,503	$ 38,360

	2003	2002	2001
EARNINGS			
International Aluminum segment	$ 17,310	$ 1,536	$ 5,437
Other foreign operations, non-aluminum		(324)	(1,324)
Total foreign earnings	$ 17,310	$ 1,212	$ 4,113

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Major Customers:

During 2003, no single customer accounted for more than 10% of our consolidated revenues. In 2002 one customer accounted for approximately 11% of our consolidated revenues. During 2001 no single customer accounted for more than 10% of our consolidated revenues.

NOTE N QUARTERLY FINANCIAL DATA (Unaudited and amounts in thousands except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
2003:					
Revenues	$ 195,082	$ 239,452	$ 219,552	$ 237,929	$ 892,015
Gross profits	$ 11,907	$ 17,839	$ 13,238	$ 11,603	$ 54,587
Earnings (loss) before accounting change	$ 1,323	$ 2,463	$ (342)	$ 1,527	$ 4,971
Cumulative effect of accounting change	$	$	$	$	$
Net earnings (loss)	$ 1,323	$ 2,463	$ (342)	$ 1,527	$ 4,971
Net earnings (loss) per common share:					
Basic before cumulative effect	$ 0.09	$ 0.17	$ (0.02)	$ 0.11	$ 0.34
Basic after cumulative effect	$ 0.09	$ 0.17	$ (0.02)	$ 0.11	$ 0.34
Dilutive before cumulative effect	$ 0.09	$ 0.17	$ (0.02)	$ 0.10	$ 0.33
Dilutive after cumulative effect	$ 0.09	$ 0.17	$ (0.02)	$ 0.10	$ 0.33
2002:					
Revenues	$ 157,901	$ 180,509	$ 180,866	$ 167,892	$ 687,168
Gross profits	$ 8,589	$ 13,972	$ 13,375	$ 10,536	$ 46,472
Earnings (loss) before accounting change	$ 382	$ 2,534	$ 2,493	$ 1,455	$ 6,864
Cumulative effect of accounting change (after tax benefit of $7,132)	$ (58,730)	$	$	$	$ (58,730)
Net earnings (loss)	$ (58,348)	$ 2,534	$ 2,493	$ 1,455	$ (51,866)
Net earnings (loss) per common share:					
Basic before cumulative effect	$ 0.03	$ 0.17	$ 0.17	$ 0.10	$ 0.47
Basic after cumulative effect	$ (3.98)	$ 0.17	$ 0.17	$ 0.10	$ (3.57)
Dilutive before cumulative effect	$ 0.03	$ 0.17	$ 0.17	$ 0.10	$ 0.47
Dilutive after cumulative effect	$ (3.95)	$ 0.17	$ 0.17	$ 0.10	$ (3.54)

Special items relating to our 2003 financial statements and operations

During the fourth quarter of 2003, we realized a non-cash gain of $5,432,000 in regards to the early extinguishment of the VAW-IMCO redemption liability. See NOTE G LONG-TERM DEBT.

During the refinancing of almost all of our debt in the fourth quarter of 2003, we realized a non-cash loss in regards to our deferred charges associated with the establishment of our previous revolving credit facility. This realized non-cash loss was $753,000. See NOTE G LONG-TERM DEBT.

During the fourth quarter of 2003, we incurred a write down and impairment of certain of our assets in the domestic aluminum segment. The writedowns and impairments were non-cash charges. Our total write downs were $3,940,000 and our total impairments were $1,965,000. These writedown and impairment charges were included in our domestic aluminum results of operations. See NOTE E PROPERTY AND EQUIPMENT.

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For the fourth quarter of 2003, an unrealized foreign currency gain of $1,880,000 was recognized on the intercompany note between VAW-IMCO and the Company.

NOTE O CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Certain of the subsidiaries (the Guarantor Subsidiaries) of IMCO Recycling Inc. are guarantors of the indebtedness of IMCO Recycling Inc. under its new senior secured notes due 2010. For purposes of complying with the reporting requirements of the Guarantor Subsidiaries, presented below are condensed consolidating financial statements of IMCO Recycling Inc., the Guarantor Subsidiaries, and those subsidiaries of IMCO Recycling Inc. that are not guaranteeing the indebtedness under the senior secured notes (the Non-Guarantor Subsidiaries). The condensed consolidating balance sheets are presented as of December 31, 2003 and 2002, the condensed consolidating statements of operations are presented for the years ended December 31, 2003, 2002 and 2001 and the condensed consolidating statements of cash flows are presented for the years ended December 31, 2003, 2002 and 2001.

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(All amounts are presented in thousands)

IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONSOLIDATED BALANCE SHEETS

	December 31, 2003				
	Imco Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ 503	$ 134	$ 14,123	$	$ 14,760
Accounts receivable, net	9,816	65,559	36,753		112,128
Inventories	4,292	44,913	29,065		78,270
Deferred income taxes	6,774	3,031	1,424		11,229
Other current assets	2,750	7,577	2,055		12,382
Total Current Assets	24,135	121,214	83,420		228,769
Property and equipment, net	37,801	109,546	74,205	(1,884)	219,668
Goodwill	3,660	49,175	16,214		69,049
Investments in joint ventures		976			976
Other long-term asset, restricted cash			24,846		24,846
Other assets, net	10,776	1,646	787		13,209
Investments in subsidiaries/intercompany receivable (payable), net	345,217	(92,258)	(8,777)	(244,182)	
	$ 421,589	$ 190,299	$ 190,695	$ (246,066)	$ 556,517
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities					
Accounts payable	$ 18,798	$ 45,918	$ 31,491	$	$ 96,207
Accrued liabilities	9,455	7,788	13,712		30,955
Current maturities of long-term debt		22	4		26
Total Current Liabilities	28,253	53,728	45,207		127,188
Long-term debt	256,147	12	24,955	(24,947)	256,167
Deferred income taxes	2,155	9,776	8,459		20,390
Other long-term liabilities	5,285	3,520	16,439		25,244
Total Stockholders Equity	129,749	123,263	95,635	(221,119)	127,528
	$ 421,589	$ 190,299	$ 190,695	$ (246,066)	$ 556,517

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONSOLIDATED BALANCE SHEETS

	December 31, 2002				
	Imco Recycling Inc.	Combined Guarantor Subsidiaries (1)	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ 2,418	$ 183	$ 4,274	$	$ 6,875
Accounts receivable, net	1,245	14,413	8,843		24,501
Inventories	2,608	36,662	3,460		42,730
Deferred income taxes	1,888	959	508		3,355
Other current assets	3,441	8,691	1,078		13,210
Total Current Assets	11,600	60,908	18,163		90,671
Property and equipment, net	39,765	121,396	27,445	(1,155)	187,451
Goodwill	3,038	46,848	1,232		51,118
Investments in joint ventures		985	16,482		17,467
Other assets, net	2,269	(325)	2,759		4,703
Investments in subsidiaries/ intercompany receivables (payables), net	231,458	17,725	(26,910)	(222,273)	
	$ 288,130	$ 247,537	$ 39,171	$ (223,428)	$ 351,410
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities					
Accounts payable	$ 23,278	$ 49,244	$ 5,160	$	$ 77,682
Accrued liabilities	5,553	10,842	2,194		18,589
Notes payable			7,420		7,420
Current maturities of long-term debt	94,000	75			94,075
Total Current Liabilities	122,831	60,161	14,774		197,766
Long-term debt	14,402	133	15		14,550
Deferred income taxes	3,898	6,689	296		10,883
Other long-term liabilities	3,710	3,820	3,817		11,347
Total Stockholders Equity	143,289	176,734	20,269	(223,428)	116,864
	$ 288,130	$ 247,537	$ 39,171	$ (223,428)	$ 351,410

(1) Includes accounts receivable in IMCO Funding Corporation which, upon the closing of the refinancing transactions, became receivables of the guarantors.

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR STATEMENTS OF OPERATIONS

	Year Ended December 31, 2003				
	Imco Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidation
Revenues	$ 92,775	$ 554,692	$ 272,038	$ (27,490)	$ 892,015
Cost of sales	84,116	536,500	244,302	(27,490)	837,428
Gross profits	8,659	18,192	27,736		54,587
Selling, general and administrative expense	1,841	28,157	8,244		38,242
Interest expense	12,540	9,419	3,269	(9,422)	15,806
Fees on receivables sale		843			843
Interest and other (income) expense, net	2,505	(8,287)	(7,469)	9,234	(4,017)
Equity in net earnings of affiliates	(3,231)	(55)	(734)	3,231	(789)
Earnings before provision for income taxes and minority interest	(4,996)	(11,885)	24,426	(3,043)	4,502
Provision for income taxes	(9,967)	2,863	6,075		(1,029)
Earnings before minority interests	4,971	(14,748)	18,351	(3,043)	5,531
Minority interests, net of provision for income taxes			560		560
Net earnings (loss)	$ 4,971	$ (14,748)	$ 17,791	$ (3,043)	$ 4,971

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR STATEMENTS OF OPERATIONS

	Year Ended December 31, 2002				
	Imco Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidation
Revenues	$ 96,766	$ 573,446	$ 44,473	$ (27,517)	$ 687,168
Cost of sales	85,519	541,853	40,841	(27,517)	640,696
Gross profits	11,247	31,593	3,632		46,472
Selling, general and administrative expense	1,942	23,615	992		26,549
Interest expense	8,245	10,840	817	(10,175)	9,727
Fees on receivables sale		1,698			1,698
Interest and other (income) expense, net	1,971	(13,469)	(197)	11,328	(367)
Equity in net earnings of affiliates	(11,059)	(222)	(2,181)	11,059	(2,403)
Earnings before provision for income taxes and minority interest	10,148	9,131	4,201	(12,212)	11,268
Provision for income taxes	3,284	(25)	584		3,843
Earnings before minority interests	6,864	9,156	3,617	(12,212)	7,425
Minority interests, net of provision for income taxes			561		561
Earnings before accounting change	6,864	9,156	3,056	(12,212)	6,864
Cumulative effect of accounting change (net of tax) for goodwill impairment	(58,730)	(64,942)	(920)	65,862	(58,730)
Net earnings (loss)	$ (51,866)	$ (55,786)	$ 2,136	$ 53,650	$ (51,866)

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IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR STATEMENTS OF OPERATIONS

	Year Ended December 31, 2001				
	Imco Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidation
Revenues	$ 102,006	$ 556,486	$ 50,704	$ (19,859)	$ 689,337
Cost of sales	93,579	534,529	47,764	(19,859)	656,013
Gross profits	8,427	21,957	2,940		33,324
Selling, general and administrative expense	1,378	21,126	182		22,686
Amortization Expense	140	3,926	233		4,299
Interest expense	10,011	1,934	113	(1,020)	11,038
Fees on receivables sale		3,372			3,372
Interest and other (income) expense, net	14,758	(8,195)	(6,662)	(202)	(301)
Equity in net earnings of affiliates	(12,168)	(74)	(3,057)	12,168	(3,131)
Earnings before provision for income taxes and minority interest	(5,692)	(132)	12,131	(10,946)	(4,639)
Provision for income taxes	(2,970)	80	647		(2,243)
Earnings before minority interests	(2,722)	(212)	11,484	(10,946)	(2,396)
Minority interests, net of provision for income taxes			326		326
Net earnings (loss)	$ (2,722)	$ (212)	$ 11,158	$ (10,946)	$ (2,722)

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IMCO RECYCLING INC.

GUARANTOR STATEMENTS OF CASH FLOW

	Year Ended December 31, 2003				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities:					
Earnings (loss) before accounting change	$ 4,971	$ (14,748)	$ 17,792	$ (3,044)	$ 4,971
Depreciation	5,718	21,703	6,206		33,627
Provision (benefit) for deferred income tax	(7,601)	1,013	2,737		(3,851)
Equity in earnings of affiliates	(3,229)	(56)	(733)	3,229	(789)
Net transfers with subsidiaries	(81,643)	90,926	33,719	(43,002)	
Other non-cash items	(12,899)	7,320	5,928		349
Changes in operating assets & liabilities:					
Accounts receivable	52,729	(52,104)	10,688		11,313
Accounts receivable sold	(61,300)				(61,300)
Inventories	(1,684)	(8,252)	(2,703)		(12,639)
Other current assets	528	(288)	486		726
Accounts payable & accrued liabilities	21,789	(36,965)	(8,300)	42,817	19,341
Net cash from (used by) operating activities	**(82,621)**	**8,549**	**65,820**		**(8,252)**
Investing Activities:					
Payments for property & equipment	(1,557)	(8,793)	(10,457)		(20,807)
Net cash acquired in acquisition of remaining 50% of VAW-IMCO					
Redemption of shares by VAW-IMCO		(1,181)	15,669		14,488
Increase in restricted cash			(24,846)		(24,846)
Other		172	925		1,097
Net cash from (used by) investing activities	**(1,557)**	**(9,802)**	**(18,709)**		**(30,068)**
Financing Activities:					
Net (payments of) proceeds from long-term revolving credit facility	(61,009)				(61,009)
Net (payments of) proceeds of long-term debt	154,569		(9,000)		145,569
New debt issuance costs	(11,553)				(11,553)
Settlement of VAW-IMCO redemption liability			(26,046)		(26,046)
Other	256	1,204	(2,864)		(1,404)
	82,263	**1,204**	**(37,910)**		**45,557**

Net cash from (used by) financing activities					
Effect of exchange rate changes on cash			648		648
Net increase in cash and cash equivalents	(1,915)	(49)	9,849		7,885
Cash and cash equivalents at beginning of period	2,418	183	4,274		6,875
Cash and cash equivalents at end of period	**$ 503**	**$ 134**	**$ 14,123**	**$**	**$ 14,760**

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IMCO RECYCLING INC.

GUARANTOR STATEMENTS OF CASH FLOW

	Year Ended December 31, 2002				
	IMCO Recycling Inc.	**Combined Guarantor Subsidiaries**	**Combined Non-guarantor Subsidiaries**	**Elimin-ations**	**Consol-idated**
Operating activities:					
Earnings (loss) before accounting change	$ 6,864	$ 9,156	$ 3,056	$ (12,212)	$ 6,864
Depreciation	5,860	15,731	2,055		23,646
Provision (benefit) for deferred income tax	(8,759)	9,032	(1,235)		(962)
Equity in earnings of affiliates	(11,059)	(222)	(2,181)	11,059	(2,403)
Net transfers with subsidiaries	(35,897)	51,534	2	(15,639)	
Other non-cash items	(1,227)	4,411	758	1,153	5,095
Changes in operating assets & liabilities:					
Accounts receivable	(5,583)	7,432	269		2,118
Accounts receivable sold	(4,000)				(4,000)
Inventories	136	(3,992)	342		(3,514)
Other current assets	92	(3,441)	(41)		(3,390)
Accounts payable & accrued liabilities	(29,530)	31,290	(2,410)	15,639	14,989
Net cash from (used by) operating activities	**(83,103)**	**120,931**	**615**		**38,443**
Investing activities:					
Payments for property & equipment	(2,352)	(9,057)	(7,904)		(19,313)
Other	104,200	(110,949)	9,718		2,969
Net cash from (used by) investing activities	**101,848**	**(120,006)**	**1,814**		**(16,344)**
Financing activities:					
Net (payments of) proceeds from long-term revolving credit facility	(16,497)	(3)			(16,500)
Net (payments of) proceeds of long-term debt		(335)			(335)
New debt issuance costs		(1,036)			(1,036)
Other	(138)	(3)	(369)		(510)
Net cash from (used by) financing activities	**(16,635)**	**(1,377)**	**(369)**		**(18,381)**
Effect of exchange rate changes on cash			(144)		(144)
Net increase in cash and cash equivalents	2,110	(452)	1,916		3,574
Cash and cash equivalents at beginning of period	308	635	2,358		3,301
Cash and cash equivalents at end of period	**$ 2,418**	**$ 183**	**$ 4,274**	**$**	**$ 6,875**

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IMCO RECYCLING INC.

GUARANTOR STATEMENTS OF CASH FLOW

	Year Ended December 31, 2001				
	IMCO Recycling Inc.	**Combined Guarantor Subsidiaries**	**Combined Non-guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Operating activities:					
Earnings (loss) before accounting change	$ (2,722)	$ (212)	$ 11,158	$ (10,946)	$ (2,722)
Depreciation and amortization	7,011	20,682	1,504		29,197
Provision (benefit) for deferred income tax	2,106				2,106
Equity in earnings of affiliates	(12,168)	(74)	(3,057)	12,168	(3,131)
Net transfers with subsidiaries	14,465	9,246	(6,689)	(17,022)	
Other non-cash items	4,095	(1,234)	529		3,390
Changes in operating assets & liabilities:					
Accounts receivable	4,739	15,323	(1,039)	1	19,024
Accounts receivable sold	(24,700)				(24,700)
Inventories	1,078	17,900	(611)		18,367
Other current assets	(564)	3,827	(394)		2,869
Accounts payable & accrued liabilities	23,586	(72,653)	9,871	15,799	(23,397)
Net cash from (used by) operating activities	**16,926**	**(7,195)**	**11,272**		**21,003**
Investing activities:					
Payments for property & equipment	(1,044)	(6,663)	(2,151)		(9,858)
Other	(7,010)	4,151	(1,281)		(4,140)
Net cash from (used by) investing activities	**(8,054)**	**(2,512)**	**(3,432)**		**(13,998)**
Financing activities:					
Net (payments of) proceeds from long-term revolving credit facility	(3,397)	(3)			(3,400)
Net (payments of) proceeds of long-term debt		(110)			(110)
New debt issuance costs		(978)			(978)
Other	(5,496)	10,917	(9,531)		(4,110)
Net cash from (used by) financing activities	**(8,893)**	**9,826**	**(9,531)**		**(8,598)**
Effect of exchange rate changes on cash			(120)		(120)
Net increase in cash and cash equivalents	(21)	119	(1,811)		(1,713)
Cash and cash equivalents at beginning of period	329	518	4,167		5,014

Cash and cash equivalents at end of period	**$ 308**	**$ 637**	**$ 2,356**	**$**	**$ 3,301**

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NOTE P GOODWILL

Effective January 1, 2002, we adopted SFAS No. 142 Goodwill and Other Intangible Assets (SFAS 142). Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. Instead, SFAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS 142 and, at a minimum, annually thereafter.

Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. For the 2002 goodwill impairment charge, in connection with our adoption of SFAS 142, we engaged a third-party valuation firm to estimate the fair value of our reporting units. The valuation firm used a discounted cash flow model to determine the fair value of our reporting units with a discount rate based on a risk-adjusted weighted average cost of capital for each unit. Because the fair value of our reporting units, as determined by the valuation firm, was less than the carrying value of the reporting unit net assets, we performed the second step of the impairment test as required and determined that an impairment charge was required for each reporting unit. The cumulative effect adjustment recognized as a result of the impairment charge was $58,730,000 (after tax), consisting of write offs for the impairment of goodwill in the domestic aluminum and zinc segments. We will perform our annual impairment review as of December 31 of each year. No impairment of goodwill was indicated as of December 31, 2003.

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The following table sets forth a reconciliation of net earnings (loss) before cumulative effect of the accounting change and earnings (loss) before cumulative effect of the accounting change per share for the four years ended December 31, 2003 as though the accounting for goodwill had been in effect at the beginning of fiscal 2001:

(Amounts in thousands, except per-share amounts)	Net Earnings For the year ended December 31,			Diluted EPS For the year ended December 31,		
	2003	2002	2001	2003	2002	2001
Net earnings (loss)	$ 4,971	$ (51,866)	$ (2,722)	$ 0.33	$ (3.54)	(0.18)
Less: Cumulative net earnings effect from the accounting change for goodwill		(58,730)			(4.01)	
Earnings (loss), excluding cumulative effect	4,971	6,864	(2,722)	0.33	0.47	(0.18)
Add: Goodwill amortization			3,721			0.25
Earnings excluding cumulative effect from the accounting change in 2002 and goodwill amortization in 2001	$ 4,971	$ 6,864	$ 999	$ 0.33	$ 0.47	$ 0.07

The goodwill impairment charge primarily reflected the decline in our stock price over the last several years. This decline was the result of several unforeseen factors which reduced our earnings. These factors included increased competition in the specification alloys business, increases in the supply of zinc over the past several years which has led to severe price declines in the selling prices for zinc, and energy related closures in the U.S. Pacific Northwest which has caused capacity reductions for some of our major customers.

Our goodwill by segment is shown below (in thousands). Certain reclassifications have been made to reflect our international aluminum segment (See NOTE M SEGMENT INFORMATION).

	Domestic Aluminum Segment	International Aluminum Segment	Zinc Segment	Total
Goodwill balance at December 31, 2001	$ 70,082	$ 103	$ 45,377	$ 115,562
Acquisition of Recipar		1,120		1,120
Other acquisitions			250	250
Write-off of goodwill recognized in cumulative effect adjustment	(42,190)	(47)	(23,625)	(65,862)
Translation and other adjustments during the period		124	(76)	48
Balance at December 31, 2002	$ 27,892	$ 1,300	$ 21,926	$ 51,118
Acquisition of VAW-IMCO		17,950		17,950
Translation and other adjustments during the period	622	(641)		(19)

Balance at December 31, 2003	$ 28,514	$ 18,609	$ 21,926	$ 69,049

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NOTE Q MARKET RISK MANAGEMENT USING FINANCIAL INSTRUMENTS

We enter into production derivatives to hedge the cost of energy and the sales price of certain aluminum and zinc products. We evaluate and document each hedge item when entered into. It is our policy not to speculate in hedging activities.

We are engaged in activities that expose us to various market risks, including the effects of natural gas prices and future selling prices of aluminum and zinc. These financial exposures are managed as an integral part of our risk management program, which seeks to reduce the potentially adverse effects that the volatility of the markets may have on operating results. We do not engage in speculative transactions, nor do we regularly hold or issue financial instruments for trading purposes. We maintain a natural gas pricing strategy to minimize significant fluctuations in earnings caused by the volatility of gas prices. We also maintain a metal pricing strategy to minimize significant, unanticipated fluctuations in earnings caused by the volatility of aluminum and zinc prices.

Our deferred gains and losses accumulate on our balance sheet (in Other Comprehensive Income) until the maturity of our respective hedging agreements. Due to the sometimes volatile nature of aluminum, zinc and natural gas prices, it would be impractical to estimate the amount we expect to be realized as earnings or loss on our income statement at any given time, or when these gains or losses will be realized.

Actual amounts realized will inevitably differ from our estimates. We further emphasize that our deferred hedging activities dampen, but do not eliminate, the effect of volatile aluminum, zinc and natural gas prices on our operations.

Natural Gas: In order to manage our price exposure for natural gas purchases, we have fixed the future price of a portion of our natural gas requirements by entering into financial hedge agreements. Under these agreements, payments are made or received based on the differential between the monthly closing price on the New York Mercantile Exchange (NYMEX) and the actual hedge price. These contracts are accounted for as cash flow hedges, with all gains and losses recognized in cost of sales when the gas is consumed. In addition, we have cost escalators included in some of our long-term supply contracts with its customers, which limit our exposure to natural gas price risk. At December 31, 2003, we had outstanding swap agreements to hedge our anticipated domestic natural gas requirements for approximately 2,910,000 Mmbtus of natural gas, which represents approximately 41% and 13% of our expected 2004 and 2005 fuel needs, respectively. At December 31, 2003, the fair value gain of these contracts was $1,537,000 ($953,000 net of tax). At December 31, 2002, these contracts totaled 1,660,000 Mmbtus with a fair value gain of $2,081,000 ($1,290,000 net of tax). In 2003, 2002 and 2001, natural gas hedging activities increased (decreased) cost of goods sold by the following respective amounts: ($3,401,000), $3,105,000 and $2,173,000 respectively.

Aluminum: We enter into futures sale contracts with metal brokers to fix the margin on a portion of the aluminum generated by our salt cake processing facility in Morgantown, Kentucky and some of the aluminum generated for sale from the processing of other scrap metal. These futures sale contracts are settled in the month of shipment. Estimated 2004 total production covered under these futures sale contracts as of December 31, 2003 was 1,420 metric tonnes (mt) with a fair value deferred loss of $117,000 ($73,000 after tax). As of December 31, 2002, total production covered under these futures sale contracts was 6,215 mt with a fair value gain of $22,000 ($13,000 net of tax).

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We also enter into forward purchase contracts. As of December 31, 2003, we had contracts for 5,720 mt with a fair value deferred gain of $376,000 ($233,000 net of tax). As of December 31, 2002, we had contracts for 2,785 mt with a fair value gain of $22,000 ($14,000 net of tax).

In 2003, 2002 and 2001, our domestic aluminum revenue was lower by $185,000, $421,000 and $923,000, respectively, for settled metal hedging contracts.

Zinc: In the normal course of business, we enter into fixed-price forward sales and purchase contracts with a number of our zinc customers. At December 31, 2003, 2004 estimated total production covered under these futures sale contracts was 4,075 mt with a fair value deferred loss of $349,000 ($217,000 net of tax). At December 31, 2002, 2003 estimated total production covered under these futures sale contracts was 2,400 mt with a fair value gain of $132,000 ($82,000 net of tax).

In order to hedge the risk of higher metal prices, we enter into long positions, principally using future purchase contracts. These contracts are settled in the month of the corresponding production or shipment. At December 31, 2003, 2004 estimated total production covered under these futures purchase contracts was 10,227 mt with a fair value deferred gain of $1,571,000 ($974,000 net of tax). At December 31, 2002, 2003 estimated total production covered under these futures purchase contracts was 17,168 mt with a fair value deferred loss of $1,170,000 ($726,000 net of tax).

In 2003, 2002 and 2001 our zinc revenue was lower by $343,000, $2,117,000 and $3,785,000 respectively, due to settled zinc metal hedging contracts.

VAW-IMCO: VAW-IMCO has a significant metal hedging program. The majority of VAW-IMCO s operations are product sales, requiring it to take ownership of the materials processed and exposing it to more risk to changes in metal prices. In order to mitigate this risk, VAW-IMCO enters into LME high-grade and alloy aluminum forward sales and purchase contracts. VAW-IMCO does not hold or issue any derivative financial instruments for trading purposes. The functional currency of VAW-IMCO is the Euro; however, the derivatives utilized in hedging the market risk of changing prices of aluminum purchases and sales at VAW-IMCO facilities are based in U.S. Dollars. This results in foreign currency risk in addition to the risk of changing aluminum prices.

Unlike the derivative contracts utilized throughout the rest of our hedging operations, the unrealized gains and losses on VAW-IMCO s derivative contracts do not qualify for deferred treatment under SFAS 133, Accounting for Derivatives and Hedging Activities. VAW-IMCO s derivative contracts are recorded at fair value with unrealized gains and losses recognized currently in the financial statements.

As of December 31, 2003, VAW-IMCO had forward purchase contracts for high-grade aluminum for 26,425 mt with a fair value of $42,599,000 U.S. Dollars. Also as of December 31, 2003, VAW-IMCO had forward sales contracts for 14,450 mt with a fair value of $23,331,000.

VAW-IMCO s losses on metal hedging transactions, as reflected in our consolidated cost of goods sold, was approximately $1,479,000 for the ten months of March through December 2003.

We are exposed to losses in the event of non-performance by the counter-parties to the financial hedge agreements and futures contracts discussed above; however, we do not anticipate any non-performance by the counter-parties. The counter-parties are evaluated for creditworthiness and risk assessment prior to initiating trading activities with the brokers. We do not require collateral to support broker transactions.

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NOTE R OTHER COMPREHENSIVE EARNINGS (LOSS)

The following table presents the components of other comprehensive earnings (loss), which are items that change equity during the reporting period, but are not included in earnings (in thousands):

	Total	Unrealized Gain (Loss) on Derivative Financial Instruments	Foreign Currency Translation, Unrealized Gain (Loss)
Balance at December 31, 2000	$ (5,143)	$	$ (5,143)
Current year net change	176		176
Change in fair value of derivative financial instruments	(10,350)	(10,350)	
Reclassification of derivative financial instruments into earnings	2,535	2,535	
Income tax effect	2,892	2,892	
Balance at December 31, 2001	$ (9,890)	$ (4,923)	$ (4,967)
Current year net change	(5,384)		(5,384)
Change in fair value of derivative financial instruments	9,225	9,225	
Reclassification of derivative financial instruments into earnings	(567)	(567)	
Income tax effect	(3,214)	(3,214)	
Balance at December 31, 2002	$ (9,830)	$ 521	$ (10,351)
Current year net change	3,587		3,587
Change in fair value of derivative financial instruments	(1,643)	(1,643)	
Reclassification of derivative financial instruments into earnings	3,929	3,929	
Income tax effect	(868)	(868)	
Balance at December 31, 2003	$ (4,825)	$ 1,939	$ (6,764)

We translate the balance sheets of our foreign subsidiaries using fiscal period-end exchange rates. The consolidated statements of earnings are translated using the average exchange rates for the period. The cumulative effect of such translations is included in shareholders equity, other than for current intercompany accounts, as a component of other comprehensive earnings (loss), as shown above.

During 2003, we incurred an unrealized foreign currency translation gain of $3,587,000. The weakening of the U.S. Dollar against the Euro was responsible for most of this gain. To a lesser degree, the strengthening of the British Pound also contributed to this gain. Offsetting these gains was the weakening of the Mexican Peso. As of December 31, 2003, our accumulated foreign currency translation adjustment totaled $6,764,000. On average, for 2003 the Euro increased in value by roughly 20% against the U.S. Dollar, and the British Pound increased in value by approximately 9% against the U.S. Dollar. The Mexican Peso, however, has fallen by approximately 11% in value against the U.S. Dollar.

In 2002 we incurred an unrealized foreign currency translation loss of $5,384,000. Of this amount, $4,900,000 was due to our operations in Brazil, and of this, $4,200,000 of this loss occurred during the third quarter of 2002. During this time, the Brazilian currency lost 23% of its value against the U.S. Dollar.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

An evaluation was performed under the supervision and with the participation of our management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2003. Based upon that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2003. In addition, there was no change in our internal control over financial reporting during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to directors and nominees for director of our company appears under the captions Election of Directors, Corporate Governance and Remuneration of Directors and Officers Compliance with Section 16(a) in our definitive Proxy Statement (herein so called) relating to our 2004 Annual Meeting of Stockholders, to be filed with the SEC under Regulation 14A of the Securities Exchange Act of 1934, which information is incorporated herein by reference. We anticipate that the definitive Proxy Statement will be filed with the SEC and mailed to stockholders in April 2004. Certain information as to executive officers of our company is included herein under PART I, ITEM 4A EXECUTIVE OFFICERS OF THE REGISTRANT.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Regulation S-K Item 402 under this item appears under the caption Remuneration of Directors and Officers in the definitive Proxy Statement, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as set forth below, the information required by this item appears under the caption Voting and Principal Stockholders in the definitive Proxy Statement, which information is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2003, as to our shares of common stock that may be issued under our equity compensation plans, including our 1990 Amended and Restated Stock Option Plan, 1992 Stock Option Plan, Annual Incentive Program, Employee Stock Purchase Plan (ESPP) and our Amended and Restated 2000 Restricted Stock Plan.

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Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Stockholders (1)	2,054,384	$ 10.37	730,643(3)(4)
Equity Compensation Plans Not Approved by Stockholders	91,667(2)	$ 5.93	508,333(5)
Total	2,146,051	$ 10.18	1,238,976

(1) Represents shares under the 1990 Amended and Restated Stock Option Plan, the 1992 Stock Option Plan, the ESPP, and the Annual Incentive Program (except as described in note (2) below).
(2) Consists of 91,667 shares under options granted under the Annual Incentive Program, as described below.
(3) Includes shares available for future issuance under the ESPP. As of December 31, 2003, an aggregate of 590,387 shares of common stock were available for issuance under the ESPP.
(4) The term of the 1992 Stock Option Plan expired on December 15, 2002. As of December 31, 2003, a total of 1,224,970 shares of common stock were issuable upon the exercise of outstanding options under this expired plan and are included under column (a). The weighted average exercise price of these outstanding options is $10.36 per share. No additional options may be granted under this expired plan.
(5) Includes 208,333 shares issuable under the Annual Incentive Program, and 300,000 shares of common stock reserved for issuance under the Amended and Restated 2000 Restricted Stock Plan. Does not include 930,000 shares of restricted stock issued under contractual grants to three executive officers, as described below.

Amended and Restated 2000 Restricted Stock Plan. During 2000 our Board of Directors approved the IMCO Recycling Inc. 2000 Restricted Stock Plan. This plan granted our Compensation Committee the authority to make awards of restricted stock of up to 300,000 shares, in order to attract and retain key employees of the Company and its subsidiaries. No awards under this plan had been made as of December 31, 2003. In February 2004, our Board of Directors amended and restated the plan, granting the Compensation Committee the authority to grant restricted stock units as well as restricted stock out of the 300,000 available shares under the plan. Upon its amendment and restatement, our Compensation Committee then granted a total of 134,000 restricted stock units to six of our executive officers (which grants are not reflected in the table above). Any delivery or issuance of shares under this plan must be from shares of common stock held in our treasury or from shares we repurchased.

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Under the terms of this plan, we will enter into individual award agreements with participants designated by the Compensation Committee specifying the number of shares of common stock (or restricted stock units) granted under the award, the price (if any) to be paid by the grantee for the restricted stock, the restriction period during which the award is subject to forfeiture, and any performance objectives specified by the Compensation Committee. Participants will not be permitted to sell, transfer or pledge their restricted stock during their restriction period.

Upon termination of a participant s employment with our company for any reason other than death, disability or retirement, all nonvested shares of nonvested restricted stock and nonvested restricted stock units will be forfeited. In addition, in the event of a change in control of our company (as defined in the plan), all restricted stock and restricted stock units will become fully vested. Unless sooner terminated, the Amended and Restated 2000 Restricted Stock Plan will terminate on December 13, 2010.

Contractual Restricted Stock Awards to Executives. During 2000 and 2001, our Board of Directors approved contractual grants of a total of 650,000 shares of restricted stock to our three most senior executives, Don V. Ingram, Paul V. Dufour, and Richard L. Kerr. See ITEM 4A EXECUTIVE OFFICERS OF THE REGISTRANT. These awards were made in connection with employment agreements we entered into with these individuals at those times. The shares are restricted, cannot be sold or pledged, and are subject to forfeiture during their restriction period under each grant. All of the shares of restricted stock granted were from our treasury or shares repurchased and held by us.

In October 2002, under a similar contractual grant, we awarded Mr. Ingram an additional award of 200,000 shares of restricted common stock. The restrictions on transfer for Mr. Ingram s shares do not lapse until 2009 in the case of his 2002 grant, and 2007 in the case of his 2000 grant. The terms of the award do not provide for any partial vesting of the restricted shares over time. However, the restrictions also lapse upon Mr. Ingram s (i) death or disability, (ii) termination by us without cause, and (iii) constructive termination (resignation for good reason). They will also lapse upon a change in control of our company (which term is defined in Mr. Ingram s employment agreement). Dividends are not earned or paid on these shares unless and until the shares are vested.

A similar contractual grant was awarded in May 2003 to Mr. Dufour for an additional 80,000 shares of restricted common stock. The restrictions on transfer for Mr. Dufour s shares do not lapse until 2010 in the case of his 2003 grant, and 2007 in the case of his 2000 grant. The terms of the award do not provide for any partial vesting of the restricted shares over time. However, the restrictions do lapse upon Mr. Dufour s (i) death or disability, (ii) termination by us without cause, and (iii) constructive termination (resignation for good reason). They will also lapse upon a change in control of our company (which term is defined in Mr. Dufour s employment agreement). Like Mr. Ingram s grants, dividends are not earned or paid on these shares unless and until they are vested.

For Mr. Kerr s 2001 award, vesting of the shares awarded him does not begin until there is a change of control of our company (as that term is defined in his employment agreement). If the awards are not assumed by our successor, or if equivalent substitute awards are not granted upon a change of control, then the restricted stock awards vest in full upon the change of control event. If the awards are assumed or equivalent substitute awards are granted in replacement of the old awards, then the restriction period on the restricted stock awards will commence and continue until the date that is two years after the change of control, when they will then fully vest. Dividends are not earned on the shares of restricted stock unless there is a change of control. The award agreement also provides that upon a change of control, all stock options held by Mr. Kerr outstanding as of the date of his restricted stock grant that remain unexercised as of the date of the change of control event, will automatically terminate.

Annual Incentive Program. Our Annual Incentive Program (the 1996 Incentive Plan) was first adopted by our Board and approved by our stockholders in 1996. In 1998, the Board and stockholders approved an amendment to the 1996 Incentive Plan that increased the total number of shares of common stock reserved for issuance under the plan to 900,000 shares. During 2000, the Board again amended the 1996 Incentive Plan, authorizing an additional 300,000 shares reserved

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under the plan. However, this plan amendment provided that only treasury shares or shares repurchased by us could be used for options granted out of the additional 300,000 shares reserved. At December 31, 2003, options had been granted and were outstanding to purchase 101,000 shares from this additional 300,000 share reserve under the 1996 Incentive Plan. As of December 31, 2003, options to purchase a total of 877,348 shares of common stock had been granted under the 1996 Incentive Plan.

Eligible participants under the 1996 Incentive Plan are our key employees, consultants, officers and directors selected by the Compensation Committee from time to time.

Unless sooner terminated by action of our Board, the 1996 Incentive Plan will expire in February 2006. Our Compensation Committee may provide for the exercise of options in installments, and on such other terms, conditions and restrictions as it determines. The exercise price for nonqualified and incentive stock options granted under our 1996 Incentive Plan cannot be less than the fair market value of the common stock on the date of grant. The option period may not extend longer than ten years from the date the option is granted and, in the case of incentive stock options, is limited to five years from the date of grant for certain participants owning more than 10% of the outstanding common stock. The options granted under our 1996 Incentive Plan are not transferable other than by will or by the laws of descent and distribution or under the terms of a qualified domestic relations order.

The exercise price of options granted under our 1996 Incentive Plan may be paid in cash or in shares of common stock valued at their fair market value on the date of exercise (or in any combination of cash and shares). In the event that shares are delivered by a participant in payment of all of a portion of the exercise price, or shares are delivered to or withheld by us in payment of our tax withholding obligations upon exercise, the exercising participant will automatically be granted a reload stock option to purchase the number of shares delivered to or withheld by us. The exercise price for a reload stock option will be equal to the fair market value per share of common stock on the date of exercise of the primary option. The option period for a reload stock option will commence on the date of grant and expire on the expiration date of the original stock option.

In the event that a participant exercises a stock option and receives a reload stock option, the participant will be restricted from transferring or pledging a number of shares received by the participant upon exercise of the original stock option, equal to one-half of the total number of shares delivered to and withheld by us upon the exercise of the stock option. These restrictions will continue in effect for up to five years, but will earlier expire upon the participant s retirement, death or disability, or upon a change of control of our company. In addition, the Compensation Committee may in its discretion waive these restrictions on transfer.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item appears under the captions Remuneration of Directors and Officers Stock Options , and Certain Transactions in the definitive Proxy Statement, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item appears under the caption Proposal to Ratify Appointment of Independent Auditors in the definitive Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements: See Index to Consolidated Financial Statements and Financial Statement Schedules in Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA .

2. Consolidated Financial Statement Schedules: See Index to Consolidated Financial Statements and Financial Statement Schedules in Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA .

3. Exhibits:

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of IMCO Recycling Inc., filed as Exhibit 3.1 to the Company s Registration Statement on Form S-4 (Registration No. 333-112152) on January 23, 2004, and incorporated herein by reference.
3.2	By-laws of IMCO Recycling Inc., as amended, effective as of March 24, 1999, filed as Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.
3.3	Amendment to By-laws of IMCO Recycling Inc. adopted in August 2000, filed as Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

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4.1	Indenture, dated as of October 6, 2003, among IMCO Recycling Inc., the Subsidiary Guarantors parties thereto, and JPMorgan Chase Bank, as Trustee, filed as Exhibit 4.1 to the Company s Current Report on Form 8-K dated October 7, 2003 and incorporated herein by reference.
4.2	Form of 10 3/8% Senior Secured Notes, Series A, due 2010 and Form of 10 3/8% Senior Secured Notes, Series B, due 2010, filed as part of Exhibit 4.1 hereof.
4.3	Registration Rights Agreement, dated as of October 6, 2003, among IMCO Recycling Inc., certain subsidiary guarantors, and J.P. Morgan Securities Inc., as representative of the initial purchasers, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K dated October 7, 2003 and incorporated herein by reference.
**10.1	IMCO Recycling Inc. Amended and Restated Stock Option Plan, filed as Exhibit 10.4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference.
**10.2	Specimen Split-Dollar Life Insurance Agreement, filed as Exhibit 10.17 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference. This agreement is virtually identical to agreements between the Company and Richard L. Kerr, Paul V. Dufour and Robert R. Holian.
10.3	Credit and Security Agreement dated as of October 6, 2003 by and among IMCO Recycling Inc., certain of its subsidiaries parties thereto, PNC Bank, National Association and JPMorgan Chase Bank, filed as Exhibit 10.3 to the Company s Current Report on Form 8-K dated October 7, 2003 and incorporated herein by reference.
10.4	Agreement dated March 14, 2003 by and among IMCO Recycling Holding B.V., VAW-IMCO Guss and Recycling GmbH and Hydro Aluminium Deutschland GmbH, filed as Exhibit 2.1 to the Company s Current Report on Form 8-K/A-2 on January 29, 2004 and incorporated herein by reference. (Confidential treatment has been requested with respect to certain portions of this agreement. Such portions have been redacted and marked with an asterik. The non-redacted version of this agreement was sent to the Securities and Exchange Commission pursuant to an application for confidential treatment.)
**10.5	IMCO Recycling Inc. Annual Incentive Program, as amended February 27, 1997, April 1, 1997, May 13, 1997, May 13, 1998, October 20, 1999, May 10, 2000 and February 12, 2001, filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, and incorporated herein by reference.
**10.6	IMCO Recycling Inc. Annual Incentive Compensation Plan, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, and incorporated herein by reference.

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10.7	Employee Stock Purchase Plan, filed as Exhibit 4.4 to the Company s Form S-8 dated June 30, 1999 (Registration No. 333-81949), and incorporated herein by reference.
**10.8	Split-Dollar Life Insurance Agreement between Steve B. Ingram, Trustee of the Ingram Family Insurance Trust No. 1 and the Company, filed as Exhibit 10.17 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated by reference.
**10.9	IMCO Recycling Inc. Performance Share Unit Plan, filed as Exhibit 10.18 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, and filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, and incorporated by reference.
* **10.10	IMCO Recycling Inc. Amended and Restated 2000 Restricted Stock Plan.
**10.11	Employment Agreement between the Company, IMCO Management Partnership L.P. and Don V. Ingram dated September 1, 2000 filed as Exhibit 10.20 to the Company s Annual Report on From 10-K for its fiscal year ended December 31, 2000 and incorporated herein by reference.
**10.12	Restricted Stock Award Agreement between the Company and Paul V. Dufour dated October 12, 2000. This agreement is virtually identical (except as to dates and number of shares of restricted stock awarded) to the Restricted Stock Award Agreement between the Company and Richard L. Kerr dated February 1, 2001.
**10.13	Employment Agreement between the Company, IMCO Management Partnership L.P. and Paul V. Dufour dated September 1, 2000 filed as Exhibit 10.22 to the Company s Annual Report on From 10-K for its fiscal year ended December 31, 2000 and incorporated herein by reference.
**10.14	Employment Agreement between the Company, IMCO Management Partnership L.P. and Richard L. Kerr dated February 1, 2001 filed as Exhibit 10.23 to the Company s Annual Report on From 10-K for its fiscal year ended December 31, 2000 and incorporated herein by reference.
**10.15	Amendment No. 1 to Employment Agreement for Don V. Ingram dated December 18, 2001, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2002, and incorporated herein by reference.
**10.16	Amendment No. 2 to Employment Agreement between the Company and Don V. Ingram dated May 9, 2003, filed as Exhibit 10.2 to the Company s Quarterly Report 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
**10.17	Amendment No. 2 to Employment Agreement between the Company and Paul V. Dufour dated May 9, 2003 filed as Exhibit 10.3 to the Company s Quarterly Report 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
**10.18	2003 Restricted Stock Award Agreement between the Company and Paul V. Dufour dated May 7, 2003 filed as Exhibit 10.4 to the Company s Quarterly Report 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
**10.19	Amended and Restated 2000 Restricted Stock Award Agreement between the Company and Paul V. Dufour dated May 8, 2003, filed as Exhibit 10.5 to the Company s Quarterly Report 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
**10.20	2002 Restricted Stock Award Agreement between the Company and Don V. Ingram dated October 16, 2002 filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2002 and incorporated herein by reference.
**10.21	Amended and Restated 2000 Restricted Stock Award Agreement between the Company and Don V. Ingram dated October 16, 2002, filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2002 and incorporated herein by reference.

*12.1	Statement of Computation of Ratio of Earnings to Fixed Charges.
*21.1	Subsidiaries of IMCO Recycling Inc. as of March 1, 2004.
*23.1	Consent of Ernst & Young LLP.
*31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a).
*31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a).
*32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. §1350.

* Filed herewith.
** Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

On October 7, 2003, we filed a Form 8-K under Items 5 and 7, reporting the closing of the issuance of $210,000,000 aggregate principal amount of our 10 $^{3}/8$% senior secured notes due 2010, and the closing of a new four-year $120,000,000 senior secured revolving credit facility.

On October 30, 2003, we furnished a Form 8-K, under Item 12, that included a press release announcing our results for the quarter ended September 30, 2003.

(c) See sub-item (a) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 15, 2004

IMCO Recycling Inc.

By: /s/ Robert R. Holian

Robert R. Holian, Senior Vice President,
Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Don V. Ingram Don V. Ingram	Director, Chairman of the Board, Chief Executive Officer and President	March 15, 2004
/s/ Don Navarro Don Navarro	Director	March 15, 2004
/s/ John E. Balkcom John E. Balkcom	Director	March 15, 2004
/s/ James C. Cooksey James C. Cooksey	Director	March 15, 2004
John E. Grimes	Director	March 15, 2004
/s/ Hugh G. Robinson Hugh G. Robinson	Director	March 15, 2004
/s/ Dale V. Kesler Dale V. Kesler	Director	March 15, 2004

/s/ Paul V. Dufour Paul V. Dufour	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	March 15, 2004
/s/ Robert R. Holian Robert R. Holian	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	March 15, 2004

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of IMCO Recycling Inc., filed as Exhibit 3.1 to the Company s Registration Statement on Form S-4 (Registration No. 333-112152) on January 23, 2004, and incorporated herein by reference.
3.2	By-laws of IMCO Recycling Inc., as amended, effective as of March 24, 1999, filed as Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.
3.3	Amendment to By-laws of IMCO Recycling Inc. adopted in August 2000, filed as Exhibit 3.3 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
4.1	Indenture, dated as of October 6, 2003, among IMCO Recycling Inc., the Subsidiary Guarantors parties thereto, and JPMorgan Chase Bank, as Trustee, filed as Exhibit 4.1 to the Company s Current Report on Form 8-K dated October 7, 2003 and incorporated herein by reference.
4.2	Form of 10 3/8% Senior Secured Notes, Series A, due 2010 and Form of 10 3/8% Senior Secured Notes, Series B, due 2010, filed as part of Exhibit 4.1 hereof.
4.3	Registration Rights Agreement, dated as of October 6, 2003, among IMCO Recycling Inc., certain subsidiary guarantors, and J.P. Morgan Securities Inc., as representative of the initial purchasers, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K dated October 7, 2003 and incorporated herein by reference.
**10.1	IMCO Recycling Inc. Amended and Restated Stock Option Plan, filed as Exhibit 10.4 to the Company s Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference.
**10.2	Specimen Split-Dollar Life Insurance Agreement, filed as Exhibit 10.17 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference. This agreement is virtually identical to agreements between the Company and Richard L. Kerr, Paul V. Dufour and Robert R. Holian.
10.3	Credit and Security Agreement dated as of October 6, 2003 by and among IMCO Recycling Inc., certain of its subsidiaries parties thereto, PNC Bank, National Association and JPMorgan Chase Bank, filed as Exhibit 10.3 to the Company s Current Report on Form 8-K dated October 7, 2003 and incorporated herein by reference.
10.4	Agreement dated March 14, 2003 by and among IMCO Recycling Holding B.V., VAW-IMCO Guss and Recycling GmbH and Hydro Aluminium Deutschland GmbH, filed as Exhibit 2.1 to the Company s Current Report on Form 8-K/A-2 on January 29, 2004 and incorporated herein by reference. (Confidential treatment has been requested with respect to certain portions of this agreement. Such portions have been redacted and marked with an asterik. The non-redacted version of this agreement was sent to the Securities and Exchange Commission pursuant to an application for confidential treatment.)

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**10.5	IMCO Recycling Inc. Annual Incentive Program, as amended February 27, 1997, April 1, 1997, May 13, 1997, May 13, 1998, October 20, 1999, May 10, 2000 and February 12, 2001, filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, and incorporated herein by reference.
**10.6	IMCO Recycling Inc. Annual Incentive Compensation Plan, filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, and incorporated herein by reference.
10.7	Employee Stock Purchase Plan, filed as Exhibit 4.4 to the Company s Form S-8 dated June 30, 1999 (Registration No. 333-81949), and incorporated herein by reference.
**10.8	Split-Dollar Life Insurance Agreement between Steve B. Ingram, Trustee of the Ingram Family Insurance Trust No. 1 and the Company, filed as Exhibit 10.17 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated by reference.
**10.9	IMCO Recycling Inc. Performance Share Unit Plan, filed as Exhibit 10.18 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999, and filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, and incorporated by reference.
* **10.10	IMCO Recycling Inc. Amended and Restated 2000 Restricted Stock Plan.
**10.11	Employment Agreement between the Company, IMCO Management Partnership L.P. and Don V. Ingram dated September 1, 2000 filed as Exhibit 10.20 to the Company s Annual Report on From 10-K for its fiscal year ended December 31, 2000 and incorporated herein by reference.
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**10.18	2003 Restricted Stock Award Agreement between the Company and Paul V. Dufour dated May 7, 2003 filed as Exhibit 10.4 to the Company s Quarterly Report 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
**10.19	Amended and Restated 2000 Restricted Stock Award Agreement between the Company and Paul V. Dufour dated May 8, 2003, filed as Exhibit 10.5 to the Company s Quarterly Report 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
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